NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Tuesday May 12 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

Investment bank settles Interco suit for $18m

US investment bank Wasserstein Perella is to pay $18.25m in settlement of legal action brought against it by a client, St Louis-based furniture and shoe manufacturer Interco. Wasserstein maintains it has no liability to Interco, but the payment will be seen as a further blow to the firm, which has been losing ground in the bid-advisory league tables. Page 21

Thais call off protest: Tens of thousands of protesters called off their week-long demonstration in Bangkok, but said they would return at the weekend to make sure Thai prime minister Suchinda Kraprayoon resigned. Page 9

Britain's Queen may spark row

Britain's Queen Elizabeth (left) is to address the European parliament in Strasbourg today, but her speech was last night the subject of wrangling between Buckingham Palace and the prime minister's office. She was to have said that differences of national parliamentary tradition were insignificant, but it appeared that the wording might be altered to avoid offending Euro-sceptics in the ruling Conservative party. Sceptics focus on speech, Page 2; Observer, Page 19

Dow's record close: US blue chips rose to a record close, helped by gains on overseas equity markets. The Dow ended 28.18 points up at 3,387.59, its 19th record close this year. World stocks, Page 43

Hughes buys missiles business: Hughes Aircraft, subsidiary of US carmaker General Motors, is paying $450m in stock to buy the missiles business of General Dynamics, second largest US defence contractor. Page 23

Presidential vote looms: Italy's political parties, which vote for a president tomorrow, intensified efforts to agree on a candidate to replace Francesco Cossiga. Page 20

Warning from textile makers: Asia's textile exports to the US will grow twice as fast over the coming decade as the US textiles market itself, US textile manufacturers argue. Page 6

Bank faces disclosure order: UK bank Midland is likely to be told by Britain's Takeover Panel that it must provide financial information to rival Lloyds Bank, which wants to buy Midland. MPs could hold whip hand Page 26

Seat profits up: Seat, Spanish carmaker owned by Volkswagen, raised 1991 post-tax profits by 34.7 per cent to Pta6.7bn ($65m), largely due to the increased export market provided by German reunification. Page 24

Employment call: Trade unions in the world's leading industrialised countries have called on governments to implement policies to combat unemployment. Page 2

Stores programme pays off: Wal-Mart Stores, largest US retailer in sales terms, posted a 26 per cent increase in first-quarter profits to $387m after-tax, helped in part by the company's aggressive new stores programme. Page 23

Price rejected: Anglo-US conglomerate Hanson has told Krupp, German steel and engineering business, that it will not pay the £250m ($448m) asked for Krupp's lossmaking crane business. Page 21

Airlines vie for stake: British Airways, Lufthansa and KLM Royal Dutch Airlines are leading contenders to acquire a minority stake in Hungarian national airline Malev. Page 21

Heavy turnout for Philippines poll

Lawyer Miriam Defensor Santiago (left) emerged as an early frontrunner for the Philippine presidency after a heavy turnout in the country's national and local elections. Eleven people were reported killed in scattered election violence. Page 9

New contract from Liffe: Liffe, the London futures and options exchange, today launches a futures contract on Eurolire interest rates. Page 24

Lower pay settlements: Pay rises in the UK banking sector have fallen to their lowest level since the 1960s, with all the big banks settling for rises below the inflation rate. Page 11

■ STOCK MARKET INDICES		
FT-SE 100:	2,737.8	(+12.1)
Yield	4.44	
FT-SE Eurotrack 100	1,181.83	(+2.68)
FT-A All Share	1,328.39	(+0.5%)
FT-A World Index	142.23	(+0.7%)
Nikkei	18,898.09	(+232.14)
New York:		
Dow Jones Ind Ave	3,387.59	(+28.18)
S&P Composite	418.49	(+2.44)
■ US CLOSING RATES		
Federal Funds:	3¾%	(3⅞%)
3-mo Treas Bills: Yld	3.703%	(3.704%)
Long Bond	101 1/32	(101 3/32)
Yield	7.88%	(7.898%)
■ LONDON MONEY		
3-mo Interbank	10⅛%	(10⅛%)
Liffe long gilt future:	Jun 98 21/32	(Jun 98 11/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day June	$19.75	(19.625)
■ Gold		
New York Comex	$337	(336)
London	$336.3	(335.9)

■ STERLING		
New York:		
$	1.7947	(1.7905)
London:		
$	1.7935	(1.787)
DM	2.9425	(2.945)
FFr	9.89	(9.9)
SFr	2.74	(2.7325)
Y	238.75	(238.25)
£ Index	92.9	(same)
■ DOLLAR		
New York:		
DM	1.63935	(1.644)
FFr	5.5065	(5.5252)
SFr	1.5255	(1.5252)
Y	133	(133.37)
London:		
DM	1.6465	(1.6475)
FFr	5.515	(5.54)
SFr	1.528	(1.529)
Y	133.15	(133.35)
$ Index	84.6	(84.7)
Tokyo close: Y 133.17		

Austria	Sch30	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr90	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh8.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

German chancellor rejects attempt to link deals in the public and private sectors

Kohl appeals for pay claim restraint

By Quentin Peel in Bonn

MR HELMUT KOHL, the German chancellor, yesterday rejected any attempt to link new private sector pay deals to last week's public sector award of 5.4 per cent, and called for restraint in wage claims and public spending.

In an urgent appeal to employers and trade unions, he threw his weight behind the austerity programme of Mr Theo Waigel, finance minister, promising savings across the board in the federal budget, but no tax increases.

At the same time he warned that the rapidly rising wages in east Germany were undermining private investment flows and preventing the gradual equalisation of living standards between the two halves of the country.

His appeal was launched at a combined meeting of employers, trade unions and the leaders of the 16 German states to discuss the continuing plight of the east German economy and the financial pressures on both public and private sectors.

It comes at a moment when further strikes are threatened in the west German engineering and construction industries, as well as by print workers, in the wake of last week's pay deal for almost 3m public sector workers.

It also coincides with crumbling popularity for his ruling coalition and widespread scepticism about the promised austerity programme in the light of the public sector award.

"This agreement was a very hard decision for us to take," Mr Kohl said. "Both for the whole economy and for public spending it contains incalculable risks."

Yet the government was forced to go "beyond the limit" because of an arbitration recommendation of 5.4 per cent, which aroused "exaggerated expectations." He also blamed unnamed state premiers and city mayors, who "stabbed the negotiators in the back" by recommending a deal at the last moment.

Mr Kohl rejected any attempt to link the public sector award with the private sector pay talks under way. "There can be no pay leadership of the public service for the private sector," he said. "Every sector must reach a wage agreement which is bearable in relation both to the challenges of German unity and growing international competition."

He went on to warn that east Germany was not catching up but falling behind, with private sector investment per capita running at only two-thirds of the level in west Germany.

Wages and salaries had reached 44 per cent of the western level in 1991, while productivity stood at only 29 per cent. The chancellor's appeal was met by stern resistance from the DGB, the trade union federation, whose leader, Mr Heinz-Werner Meyer, rejected any plea for a "change of course" in wage negotiations.

He also warned against any attempt to put the brunt of public sector expenditure cuts on programmes for retraining and cushioning the impact of eastern unemployment.

Mr Heinrich Weiss, the president of the BDI, the German federation of industry, called for "concrete savings" in public spending as a precondition for recovery of the German economy, while warning that there was still no sign of a real change in wage negotiations.

At the same time, he warned that a majority of east German industrial enterprises had still not hit the bottom. The increase in production was only apparent in sectors producing for the local economy, or benefiting from direct western transfers.

The one positive sign for Mr Kohl yesterday was the agreement by the opposition Social Democrats (SPD) to take part in cross-party talks on the growing financial and economic crisis on May 27.

Trade surplus soars, Page 2

EC recalls ambassadors from Belgrade

By David Buchan in Brussels and Laura Silber in Belgrade

THE EUROPEAN Community yesterday acted to isolate the new Serb-dominated state of Yugoslavia by recalling its ambassadors from Belgrade.

As fighting reached a new intensity throughout Bosnia-Hercegovina the EC foreign ministers demanded the withdrawal of the Yugoslav federal army from Bosnia or its disbanding. They called federal forces "an army of occupation."

In a further diplomatic blow, the EC also shut the rump-Yugoslav state out of the Conference on Security and Co-operation in Europe (CSCE).

Mr Fred Eckhard, the spokesman for the UN peacekeeping forces, whose headquarters are in the Bosnian capital Sarajevo, said the situation was close "to an intolerable level in terms of criminality and anarchy."

Gunmen had commandered two UN jeeps and had stolen the peacekeepers' side-arms, he said.

The EC said the equipment should be placed under international monitors. It shied away from calling on Bosnian Serbs to desert the federal forces in Bosnia, but Mr Douglas Hurd, Britain's foreign secretary, said the aim was for troops to return "to their barracks or home, without aggressive equipment".

Mr Gianni de Michelis, Italy's foreign minister, said the new Yugoslavia, made up of Serbia and Montenegro, would also be excluded from next week's ministerial meeting of the Organisation of Economic Co-operation and Development (OECD), which Yugoslavia has long attended as an observer.

Sarajevo suffered another day of heavy fighting as Federal army troops and Serb irregulars continued to tighten their grip on the city. Another four people were killed in the city overnight. At least 1,320 people have been killed in the past 45 days of fighting over Bosnian independence.

In the south-west of the republic, both forces were poised to take the city of Mostar.

Fighting between Bosnian Territorial Defence forces and Serb irregulars also continued around Brcko, Doboj and Modrica, northern Bosnia.

EC officials and United Nations diplomats stationed in Bosnia appeared increasingly frustrated about the breakdown of last week's ceasefire.

Community monitors stationed in Ilidza, a district of Sarajevo, watched helplessly as Serb forces launched rocket attacks about 200 yards from the hotel where monitors and foreign journalists are staying.

But EC foreign ministers said there was no question of the Community abandoning its bid to arrange a political settlement.

Although "ceasefires are signed and broken," Mr Hurd said, "eventually people will realise they are not going to gain by attacking their neighbours".

He said although EC monitors had been pulled out of Bosnia for safety reasons, they might return to help with humanitarian aid.

Brussels yesterday agreed to give the United Nations High Commission for Refugees Ecu30m ($37m) more out of the EC budget. Mr Hurd said Britain was raising its contribution to the UN effort from £2.3m to £3.3m ($5.8m)

Ms Judith Kumin, head of the Belgrade branch of the UN High Commission for Refugees, described the refugee problem caused by the war as "not only the greatest refugee problem in Europe since the Second World War but one of the biggest problems in the world".

Yugoslav army troops fire a cannon on Moslem positions in Sarajevo yesterday

No shelter in Bosnia, Page 20

Mandela warns on S African stability

By Richard Lambert, Patti Waldmeir and Michael Holman in Johannesburg

THE COMBINATION of political violence and the government's efforts to retain a white veto was "serious enough to destabilise" South Africa's constitutional negotiations, Mr Nelson Mandela, the African National Congress president, warned yesterday.

In an interview with the Financial Times, Mr Mandela repeated his intention to create a government of national unity should the ANC win a general election. He offered reassurances to white civil servants and invited foreign businessmen to prepare to invest once an interim government was in place.

But while he said he was not seeking a confrontation at the second round of constitutional talks that begin on Friday, Mr Mandela made clear his concern at the wide gap between the ANC and the government.

"It takes more than one person to make a crisis," he said, responding to reports of deadlock over efforts to pave the way for an interim government, the main objective of the forthcoming talks in the forum of the Convention for a Democratic South Africa (Codesa).

Continued on Page 20

Citicorp man asked to lead debt negotiations with O&Y

By Robert Peston in London

MR BILL RHODES, the Citicorp director who leads commercial banks' negotiations with debtor nations in Latin America, has been asked by Olympia & York and its bankers to play a similar role in respect of the property developer's debt talks.

At last week's meeting between O&Y, which has debts of $12bn and its 15 biggest bank creditors, Mr Rhodes acted as chairman. The US banker is considering whether to continue to fulfil this function until the troubled property developer's future is resolved.

The group of 15 is expected to meet again in the next 10 days and to become the main forum for discussing the big issues confronted by all 100 of O&Y's banks.

Representatives of the 11 bank lenders to Canary Wharf pointed out yesterday that the future of O&Y's office development in London's docklands remains in the balance. "There is a misunderstanding about why we agreed to provide O&Y with £21m for Canary Wharf last week", said one senior banker. He said that providing the money was not a vote of confidence in Canary Wharf's future.

"Bankers on the Canary Wharf sub-committee felt that time is needed to properly evaluate the project's prospects", he added. The £21m is enough to keep Canary Wharf out of administration, under UK insolvency procedures, until the end of the month. "Even if Canary Wharf went into administration, the banks would have to continue funding it", the banker said.

The Canary Wharf banks say they are encouraged by the UK government's plan to take around 500,000 sq ft of space at Canary Wharf. However, a banker said: "We need to be sure that the government is taking the space at commercial rates. If it is not, then the commercial viability of Canary Wharf will remain in doubt".

Banks have been told by O&Y that the government is refusing to make any concessions relating to the company's commitment to provide £400m towards the costs of extending the London Underground's Jubilee Line from central London into Canary Wharf. Bankers had hoped that the government would at the very least defer some of O&Y's payments to the end of the decade.

As a result, the rental to be paid by the Department of Trade and Industry and the Environment Department for their space will be even more crucial to whether Canary Wharf can avoid administration.

O&Y is at an advanced stage of talks with four other prospective tenants for Canary Wharf space, two of which are each interested in 200,000 sq ft.

If the government signs up for its space, O&Y believes some of these other possible tenants may do the same.

That would allow O&Y to raise new loans for Canary Wharf by refinancing individual buildings against the security of the cash flow of future rents. These new funds would in turn be used to make the Jubilee line contributions.

The £300m revolving credit facility which O&Y has asked the Canary Wharf lenders to provide is not sufficient on its own to make the Jubilee payments.

CONTENTS

German trade surplus soars to DM4.9bn

By Christopher Parkes in Bonn

INDUSTRY'S efforts to soften the impact of looming strikes helped boost German exports to new records during March. Overseas sales of goods surged unexpectedly to DM63bn ($38.1bn) from DM55bn in February, and the federal trade surplus more than doubled to DM4.9bn, the statistical office said yesterday. Imports rose 10 per cent to DM58bn.

"We saw the same in 1984 before the last big metal workers' strike," Commerzbank said. Then, manufacturers shipped finished products into overseas distribution networks and built up stocks of imported components as they braced themselves for what developed into a two-month stoppage.

Meanwhile, the leadership of the IG Metall engineering union pressed on with plans for official strike action as 42,000 members staged warning stoppages, mainly around Nuremberg.

Mechanical and electrical engineering companies such as AEG, Bosch, Siemens and MAN bore the brunt. Employers made no advance on their 3.3 per cent pay offer at talks with union officials in the Hesse region yesterday.

A meeting of union leaders in Frankfurt this morning is expected to choose targets for the main official action. Last time, when the issue was shorter working hours, strikes in the south halted virtually all motor manufacture.

Most car and truck makers, Germany's leading exporters, have since switched to just-in-time manufacturing processes. They routinely hold low stocks of components and rely on round-the-clock deliveries from suppliers to keep production lines running.

Because a breakdown of yesterday's trade figures will not be available for at least a week, most economists and bankers were cautious about the significance of one month's results. Commerzbank, for example, saw no justification yet for revising its in-house forecast that the national trade surplus would climb to DM15bn in the last quarter.

March's DM4.9bn surplus, a huge advance on the DM2.8bn recorded a year earlier, was more than double most forecasts and the second highest figure for unified Germany. The east, struggling to recover from restructuring, accounts for less than 3 per cent of all-German exports.

The deficit on the current account, a wider trade measure including services and some foreign transfers, shrank sharply to DM300m, compared with DM1.9bn in February and DM6.4bn in March last year.

Workers at Frankfurt airport vote yesterday on whether to accept last week's pay deal, which ended a public-sector strike after 11 days

UK Tory sceptics focus on Queen's EC speech

By Ivo Dawnay in London and David Buchan in Brussels

QUEEN ELIZABETH II was in danger last night of becoming embroiled in the Conservative party's internal wrangling over Britain's future in Europe when she delivers her first address to the European Parliament in Strasbourg today.

In a speech intended to reflect the UK's newly positive approach to the Community, she is expected to dismiss differences in national parliamentary traditions as "insignificant" when set against the European commitment to reconciliation and democracy.

Her text, prepared by Buckingham Palace in close collaboration with the UK Foreign Office and Downing Street, is also said to commend the parliament for playing "an ever more important part" in building common interests between the EC nations.

The wording will come under close scrutiny by so-called Euro-sceptics in the Conservative party. There were suggestions last night the final text might be changed to avoid stirring controversy among those fearful of the loss of British parliamentary sovereignty to EC institutions.

A forewarning of the sensitivity of the visit came last night from the anti-federalist Bruges Group. It said that while it believed no royal trespassing into the political arena was intended, members would express "deep concern" at any suggestion that parliamentary differences were unimportant.

Mr William Cash, a leading Conservative Euro-sceptic, said it was "utterly irresponsible" of whoever had written the speech for the Queen to suggest that different parliamentary traditions were unimportant.

The opposition Labour party seized upon the controversy as fresh evidence that Prime Minister John Major was distancing his government from the hostile posture of Mrs Margaret Thatcher, his predecessor, who is due to deliver an important speech on European topics in The Hague on Friday.

Pointing out that Mrs Thatcher had always blocked a royal visit to Strasbourg, Mr George Robertson, the party's European spokesman, said the speech was "a calculated snub" to her view of the parliament as an unimportant institution.

"The real question is why Mr Major is not saying these things himself in the House of Commons," he added.

The Queen's upbeat speech on the Community was clearly expected by the government to take the edge off the row between the UK and its EC partners over London's refusal to lift all immigration controls at border points.

Yesterday, Mr Kenneth Clarke, home secretary, delivered a strongly worded message to Brussels that compliance with the plan would provoke a growth in far-right political groups and threaten social stability.

Britain yesterday won some sympathy from its partners about the general political sensitivity about immigration, but got little support for its refusal to stop checks on non-EC citizens entering the UK from elsewhere in the Community after this year.

Yesterday's immigration discussion by EC foreign ministers did nothing to close the rift between the Commission and most EC states – who argue that all controls on travel within the Community should end next year – and Britain, which contends that free travel rights only apply to EC citizens.

Controlling non-EC citizens means some checks on EC citizens.

Only Ireland, which effectively has a passport union with the UK, expressed some oblique support for the UK position.

Mr Douglas Hurd, the UK foreign secretary, said London's position was long-standing and rooted in geography. As an island nation "there are possibilities open to us to control movements at airports and seaports which are not open to others," he said.

The UK has agreed to sign a convention for strengthening the EC's external frontier, at present stymied by a dispute with Spain over how it would affect Gibraltar.

But UK ministers say it might be years before such an external control might give the UK the confidence to abandon checks on passengers arriving from other points in the EC.

Soldiers to join UN mission in Cambodia

By Quentin Peel in Bonn

GERMANY yesterday despatched its first soldiers on an official basis to join a United Nations peace-keeping expedition – 140 military medical staff to operate a hospital in Cambodia.

The volunteers were seen off at Munich airport by Mr Volker Rühe, the defence minister, who promised that the German constitution would be amended by the end of the year to allow the full participation of German soldiers in UN peacekeeping missions.

The staff will form part of the UN Transitional Authority in Cambodia (Untac) which will demobilise four rival armies and prepare for national elections in April 1993.

Mr Rühe insisted that the use of medical personnel fell within the current law, although it is clear that the German government has been deliberately stepping up the use of "para-military" personnel outside the country to prepare the population for a change in the constitution.

Mr Rühe renewed the government's pledge to amend Bonn's post-second world war constitution at least enough to allow German troops full participation as UN "blue helmets", peace-mission soldiers with sidearms only.

The medical troops are a convenient solution for Chancellor Helmut Kohl's government, caught between its desire to play a greater world role after German unity and a constitutional ban on deploying fighting troops outside Nato territory.

● Munich's second international airport was officially opened at a ceremony yesterday after years of controversy and rising costs.

Planners said it would handle between 18m and 20m travellers a year by the end of the decade.

It does not officially go into service until Sunday, but according to official estimates, between 12m and 14m people will pass through it this year.

Move to raise revenue by 35% opens north-south rift

By David Gardner in Brussels

THE European Commission's plan to increase Community revenue by 35 per cent by 1997 opened a gulf between north and south yesterday, when foreign ministers of the 12 began detailed negotiations on the so-called "Delors II" package.

While these negotiations are still at an early stage, and a certain amount of posturing has to be discounted, the depth of disagreement could affect ratification of the Maastricht treaty, and complicate discussion of enlargement of the Community.

The north of the EC, with the UK in the vanguard, strongly opposed Commission president Jacques Delors' ambition to double structural spending on the poorest four member states – Spain, Ireland, Portugal and Greece. Ministers and officials from these states accused their richer partners of reneging on a deal which made possible the Maastricht treaty.

The Delors proposals call for an increase in the EC budget from Ecu66.6bn ($87bn) this year to Ecu87.5bn in 1997, at 1992 prices. Half the increase would go to the south and periphery for regional aid and "cohesion", to help them modernise their economies in preparation for monetary union later this decade. The rest is to finance farm reform, the EC's growing foreign policy commitments, and a sharpened research effort to strengthen industrial competition.

Mr Douglas Hurd, the UK foreign secretary, said an increase of more than 5 per cent a year in the EC budget was not justified.

He complained that the Commission had put the "cohesion fund" agreed at Maastricht into next year's budget, when the new treaty foresees its introduction before the end of 1993. He added that the far bigger "structural funds" – Ecu18.6bn this year and due to rise to Ecu29.3bn in 1997 under Commission plans – should not be increased. A rise of this size would give the southerners over 90 per cent of their aid increase which "is not an assumption justified by Maastricht", the foreign secretary insisted, in the UK's most uncompromising response to Delors II so far.

The Netherlands asked for the EC Court of Auditors to report on use of the existing structural funds before any decision was taken. Germany, the EC's biggest net contributor, backed the UK up on aid for the south, but signalled once more it would seek renegotiation of the rebate on UK contributions secured by former prime minister Mrs Margaret Thatcher in 1984.

Britain is holding out against any dilution of the rebate, worth Ecu3.3bn last year. A UK Treasury official said: "We are not prepared to see any changes."

Mr Francisco Fernández Ordóñez, Spain's foreign minister, said that while "in Maastricht figures weren't discussed, aiming at minimalist figures [for cohesion] would be pure sarcasm." He said it was "not more documents, but more decisions" that were needed. "We work on the basis of confidence, under which pacts are respected, therefore Maastricht has to be fulfilled."

Spain demanded a commitment significantly to raise fiscal transfers to the south as the price of agreeing Maastricht. Mr Fernández Ordóñez warned yesterday that the discussion on enlargement due to begin at the Lisbon summit in June would be held up until adequate future financing of the EC was agreed, a prospect now unlikely before the Edinburgh summit in December.

Irish officials called yesterday for a push to get at least agreement in principle on Delors II at Lisbon. "What is needed is a political decision, and for us the political decision was taken at Maastricht," one official said.

France, the other net contributor to the budget apart from Germany and the UK, is staying non-committal on Delors II until it sees how farm spending will affect its rich agriculture sector.

● The European Community formally adopted yesterday rules on satellite broadcasting designed to pave the way for high-definition television in Europe, Reuter reports from Brussels.

The directive, adopted without discussion by EC foreign ministers, requires all HDTV transmissions to use the European-developed HD-MAC standard.

All other wide-screen broadcasts must use the D2-MAC standard, an interim step to cinema-quality HDTV.

Denmark may next month block Mr Jacques Delors' renomination as Commission president, unless the latter publicly denies any intention of proposing a more powerful Community executive which would effectively eclipse the rotating EC presidency, writes David Buchan in Brussels. Denmark is upset that press reports of the Delors ideas might lead to defeat for the Maastrict treaty in Denmark's June 2 referendum. Mr Delors said yesterday he had personally made none of the suggestions attributed to him, though aides might have spoken out of turn.

Row looms in Israel-Community talks

By Hugh Carnegy in Jerusalem

A DISPUTE between Israel and the European Community yesterday over the EC's role in Middle East peace negotiations cast a shadow over annual talks between the two sides.

Israel objects to full EC participation in the talks on disarmament. It is also boycotting two of the five multilateral Middle East discussions – on refugees and economic co-operation – because Palestinians from outside the occupied territories were invited.

"I hope this is not a crisis. I hope this is only tension," said Mr David Levy, Israel's foreign minister, on his way to the meeting in Brussels. He said he would clarify Israel's position, but offered no concession beyond a low-level Community presence at the seminar convened in Washington to launch the disarmament talks.

Israel's defence establishment, backed by Mr Yitzhak Shamir, the prime minister, has strongly resisted an EC presence at the talks, arguing that the Europeans tend to be pro-Arab and would seek rights to inspect Israel's secretive nuclear programme. The EC has demanded a status equivalent to that of the US and Russia, co-sponsors of the peace talks, because of its geographic proximity to the Middle East. Talks on the issue with the EC in Tel Aviv last month were said to have deteriorated into angry exchanges.

The row is the latest in a series of political disputes which have dogged Israel's relationship with the Community in recent years. Israel wants to extend economic ties with the EC, its biggest trading partner, beyond the terms of a 1975 free trade agreement. It is seeking the same integration into the European Economic Area as extended to the European Free Trade Association countries.

Mr Levy thought he had won such a commitment in return for allowing the Community to participate in last October's Middle East peace conference in Madrid. But a succession of statements by EC ministers and officials have made it clear that consideration of such a move depends on substantive Israeli concessions in the peace process, if not on an actual peace settlement.

Israel and Brussels have made progress, however, on a dispute about appointing an EC representative in the occupied territories whose main task is to administer direct Community aid to the Palestinians – worth about Ecu70m (£49m) over the past year.

Israel has blocked establishment of an EC office there, but will give the representative diplomatic status. The EC says it is insisting that its disbursement of aid should not be subject to any Israeli control.

France will ease fiscal squeeze

By Ian Davidson in Paris

FRANCE'S government plans a slight relaxation of its policy of fiscal rigour next year, but still intends to keep the budget deficit below 2 per cent of gross domestic product.

In a circular to spending ministries, Mr Pierre Bérégovoy, prime minister, has ordered that total volume of budgetary expenditure may rise only 3.5 per cent. This compares with a forecast rate of inflation of 2.8 per cent, and a 5.5 per cent expected nominal rise in gross domestic product.

The increase in spending and the continued sluggishness in tax receipts, as a result of the recession, mean that next year's budget deficit is likely to rise to about FFr150bn ($26.88bn), against FFr135bn this year.

This increased deficit would nevertheless be less than 2 per cent of GDP, which the government regards as a politically critical ceiling. By setting this new maximum, it intends to show that France is able to meet the conditions for participation in European monetary union.

Unions urge OECD to act on jobless

By Peter Norman, Economics Correspondent

TRADE UNIONS in the world's leading industrialised countries have called on governments to implement "active structural policies" with a strong focus on infrastructure investment to combat a sharp rise in unemployment.

Responding to a 5m increase in jobless in the industrialised world over the past two years, the trade union advisory committee of the 24-nation Organisation for Economic Co-operation and Development said governments should agree policies to reduce unemployment at the next week's OECD ministerial meeting in Paris and July's Group of Seven economic summit in Munich.

It said the OECD should specify a programme of "vigorous government action", to include more investment in infrastructure, investment policy measures, assistance for local and regional development spending, and to raise the purchasing power of the poor.

Governments should also put more funds into training, the committee said.

In recent years, the OECD ministerial meeting has tended to listen to and then ignore the committee's views.

The ministers are unlikely to accept the need for more state spending to combat joblessness. Instead, they are expected to promote "active" labour market policies that shift the emphasis to incentives for the unemployed to seek jobs.

Turkey strides confidently on to a new political stage

After being on the edge, Ankara finds itself at the centre of things, writes Robert Mauthner

THE high-profile visit which Mr Suleyman Demirel, Turkey's prime minister, paid to six central Asian republics and his participation in a central Asian summit last weekend have underlined forcefully the new role his country hopes to play in world affairs.

No longer does Turkey see itself as merely a bridge between Europe and the Middle East – a favoured argument deployed over the years by Ankara in support of its application for membership of what it perceived as an unimaginatively inward-looking European Community.

The ending of the cold war and the collapse of the Soviet Union has allowed Turkey to broaden its horizons to an area of central Asia from which many of its people originated and with which it retains strong ethnic, cultural, religious and linguistic ties.

From being on the periphery of both Europe and Asia, Turkey has suddenly found itself at the geopolitical centre of a newly emerging region. . Suddenly, the fact that Turkey has been jilted by the EC, which has made clear that it sees no early prospect of admitting it as a full member, is looked upon as much less of a disaster by Turkish officials, at least in the short term.

The emotional rhetoric that accompanied Mr Demirel's triumphal progress through Uzbekistan, Kyrgyzstan, Kazakhstan, Tajikistan, Turkmenistan and Azerbaijan, might send shivers down the spines of some Balkan states like Greece, whose ancestral fear of Turkish expansionism and domination lies barely quiescent at the best of times and needs little reawakening. For the US and most of its western allies, however, the prominent role that Turkey aspires to play in the development of the republics is a welcome contribution to stabilising a highly volatile region.

Though Turkey's religion is Moslem, the secular values bequeathed it in 1923 by its founder, Mustafa Kemal Ataturk, makes it the ideal mentor of the new central Asian republics, with a similarly mixed recent tradition. In that capacity, Turkey is more acceptable in the region as an advocate of western ideas and values than any western power is likely to be. Equally important, it is likely to act as a bulwark against Iran, which has been making strenuous efforts to extend both its influence and that of a more extreme form of Islam.

Yet in spite of some grandiose pronouncements, Mr Demirel hasnot let his ambitions run away with him. Though calling for a Turkic summit in Istanbul in the autumn, he has ruled out a formal pan-Turkic alliance for the foreseeable future. The desire not to go it alone and, whenever possible, to act in concert with its main allies and partners in international organisations such as Nato and the Conference on Security and Co-operation in Europe, continues to be a guiding principle of Turkey's foreign policy.

In the explosive dispute between Christian Armenia and Moslem Azerbaijan over Nagorno-Karabakh, Turkey had, until last weekend, refrained from openly backing its Moslem sister state and had attempted to play a neutral mediating role. However, the fall of one of the last important Azeri strongholds has forced it to adopt a more partisan stance.

The prime minister has been somewhat less cautious in his promises of economic aid to the republics, given the need for belt-tightening demanded by the parlous state of the domestic economy – inflation was running close to 70 per cent last year and there is a rampant public sector deficit. The offer of a total of $1.1bn of credits to the Moslem republics was greeted with scepticism by Turkish Eximbank officials in Ankara, given the state of the country's foreign exchange reserves and the incapacity of debtor countries to provide adequate guarantees for the loans.

The limits to Turkey's regional leadership hopes, as well as those of Iran and Pakistan, its rivals for that role, became clear at the summit of five of the republics in Ashkhabad, Turkemenistan, last weekend. Though wide-ranging plans for economic co-operation, covering road and rail links, oil and gas pipelines and a customs union, were discussed by the five republics and their three potential benefactors, no concrete agreements were reached.

The blocking of the plan for an oil pipeline between Kazakhstan and the Iranian Gulf port of Bandar Abbas by Kazakhstan and Turkey, because of fears that it would give Iran control over central Asian oil exports, was symptomatic of the kind of political obstacles to regional co-operation which are likely to arise constantly.

Even in the best of circumstances, it would be a long time before Turkey could reap any substantial benefits from what will remain, for the foreseeable future, an essentially one-sided economic relationship.

In the short and medium term, central Asian, Black Sea regional or even Middle Eastern links cannot constitute an alternative to membership of the European Community, which already offers a duty-free market for 53 per cent of Turkey's industrial exports and has provided the impetus for its economic modernisation and political democratisation over the last decade.

The real problem is how long Turkey will have to remain on the sidelines. For the moment, the Ankara government seems reluctantly to have come to terms with the European Commission's December 1989 opinion that it will have to wait until the EC has absorbed at least the European Free Trade Association applicants and, probably, some east European countries too.

Realistically, the target date for Turkey's entry cannot be set before the beginning of the next century. But in the meantime, steps will have to be taken to bring Turkey closer to the Community, some of which have so far been blocked by Greece pending a solution of the Cyprus problem. Failing an assurance that at least the groundwork for eventual membership is being prepared, Turkey might indeed abandon its European aspirations in favour of the eastern promises, however insubstantial, that it is pursuing today.

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Russians agonising over privatisation

Capitalism is almost unknown — but if sell-offs fail, all fails, write John Lloyd and Martin Wolf

THE Russian government is soon to embark on the toughest and most delicate part of its reform process: turning state property into private hands.

If it fails, all fails. Only the creation of a property-owning class can institutionalise the market system which government ministers are struggling to tear out of the ruins of state socialism.

It is an enterprise more fraught with danger, even, than the liberalisation of prices at the start of the year. Prices have been raised before, if not by so much, but private property and capitalist ownership and control are unknown to almost everyone in the former Soviet Union. Even before the 1917 revolution, it had only a tenuous and unpopular existence.

The privatisation programme is already late, and has so far realised little of the over-ambitious target of Rbs92bn from sales set by the government for this year. That is because the ministers still agonise over a delicately balanced set of privileges and opportunities which they hope will allow this most decisive of reforms to take root in hard ground.

Its lateness means that it will get fully under way just as unemployment, still very low, begins to rise in the second half of this year. The government thus faces an unenviable coincidence: the selling of companies which provided job security at the same time as job losses mount.

Mr Anatoly Chubais, the privatisation minister, said in a recent interview that three main tasks were to be achieved in 1993: the privatisation of small enterprises by auction or tender; the transformation of large enterprises into joint stock companies; and the creation of a system of privatisation vouchers to be distributed to citizens.

On small privatisation, Mr Chubais admitted the government would resort to "standard bureaucratic procedures", to force local administrators to privatise 50-60 per cent of shops by the end of this year, and to transform larger enterprises into joint stock companies and privatise part of these by the end of 1993.

Regional governors, who are appointed by the Russian president, will be given quotas of businesses to be privatised, and will be dismissed if they fail to meet those quotas. Mr Chubais said: "Normal bureaucrats don't want to be the first to privatise but they also don't want to be the last. The way is now clear. The decision to privatise is now a decision of the government and of President [Boris] Yeltsin. We have enough instruments to force local authorities to do the job."

A State Programme of Privatisation of State and Municipally-Owned Enterprises has been prepared by the government with the assistance of experts from the World Bank. It still has to be endorsed by the parliament — as does a law on bankruptcy, which Mr Chubais said was now complete, and which will allow companies that cannot survive to go to the wall.

The minister emphasised: "There will be privileges for different parts of the population: it is very important that people do not feel this exercise is for the benefit of the old nomenklatura and the mafia."

Workers, for example, will receive 25 per cent of the equity in larger enterprises, and managers 5 per cent, both in the form of non-voting shares free of charge. A voucher system, which will allow all Russian citizens to receive shares in the companies as of right, is being worked out, and will be launched in the autumn, though this is an extremely complex task. For Russians who can afford to pay — of whom a part would be drawn from those who had been high in the previous power structure, or who had acquired their money illegally — there would be an open auction of shares, without any privileges.

There will be resistance "and so we must be quite flexible," said Mr Chubais. "But we cannot stop 'nomenklatura privatisation' [the system under which managers, sometimes in co-operation with the workers, take over the company by making themselves the owners of the shares]. We have had no legal basis for privatisation until now; all privatisation has been semi-legal. The only way to curb spontaneous privatisation is to introduce a normal legal structure."

Foreigners will be allowed to play a part. The government intends to "multiply the book value of the property [sold to foreigners] by some coefficient," says Mr Chubais. "There could be special auctions only for foreigners, but this is still to be decided."

In the energy sector, the object of most attention from foreign companies, a special programme of privatisation and exploitation rights is still being debated. The state oil corporation bosses, hostile to extensive rights for foreign companies, believe that all they need is more money and technology, and that with these they can themselves turn round the fall in production and exports.

The experience of Nizhny Novgorod, to which Mr Chubais and his colleagues look with hope, has been offset by the experiences of Moscow and St Petersburg, where most shops have simply been handed over to the workers through fear that auctions would court too much unpopularity. Mr Chubais dismisses the capital as "another republic", and insists on a more open system.

It will need a steady nerve to see it through.

Tajiks agree to form coalition

TAJIK government and opposition leaders agreed yesterday to form a coalition administration to pull their country back from the brink of civil war, a senior Commonwealth of Independent States (CIS) army officer said, Reuter reports from Dushanbe.

"A final document has been signed calling for disarmament operations to begin and for a cabinet of national unity to be formed to settle all disputed issues," said Colonel Vyacheslav Zabolotny, garrison commander in Dushanbe, the capital.

The agreement, still to be confirmed by both sides, followed talks on Sunday night between President Rakhmon Nabiyev, opposition leaders and the country's senior Moslem cleric, Qazi Akbar Turazhondzade.

Col Zabolotny, who presided over the meeting at the city's army barracks, said he had brought the two sides together to prevent further bloodshed.

He said that 108 people had been killed in six weeks of conflict in the impoverished former Soviet republic, which borders China and Afghanistan.

Tajik opposition supporters continue their protests against President Nabiyev in Dushanbe

Talks between government and opposition leaders continued yesterday and the president's position was expected to be discussed.

Col Zabolotny said that the new coalition government would have 24 members. Eight important positions would go to opposition representatives, including those of defence minister and security police chief.

Yesterday's agreement called for both sides to disarm and for a permanent rally by thousands of Moslem and democratic opposition supporters in central Dushanbe, in its 47th day, to disperse.

The president's position now appears to be the only issue that could derail a definitive settlement to the conflict that led to the collapse of the country's conservative government last Thursday.

● A refinery fire in Nizhny Novgorod, east of Moscow, has destroyed a hydraulic oil production plant, causing problems for Russia's aviation and other industries, Itar-Tass news agency said yesterday, Reuter reports from Moscow.

No details of the refinery's output were available, and the cause of the fire was unknown. The blaze destroyed 300 tonnes of oil and 100 tonnes of paraffin, Tass said.

Hungary plans to boost infrastructure spending

By Nicholas Denton in Budapest

HUNGARY'S conservative government is to boost infrastructural spending and accelerate privatisation in an effort to "initiate growth in the near future", it said yesterday.

In a significant change of tack, the cabinet decided at the weekend that infrastructure spending would also involve using private funds to boost investment in roads and telecommunications.

The initiative, designed to quell public impatience after two years of deepening recession, coincides with growing speculation about the possible replacement of Mr Mihaly Kupa, the finance minister, by a more expansionist minister.

The government is under particular pressure to get recovery under way from MPs of Hungarian Democratic Forum, as the leading party in the governing conservative coalition lags in the opinion polls.

The extent of the social pain being caused by economic reforms was made all the more clear by unemployment figures showing more than 500,000 registered out of work in April.

Nevertheless, the government is severely constrained by a spiralling public-sector deficit. The budget was in deficit by Ft66.7bn ($834m) in the first four months, almost surpassing the Ft69bn target for the whole of 1992.

NEWS: AMERICA

White House battle for Bush's ear

Los Angeles' riots have forced the president into a policy reappraisal, writes **Jurek Martin**

Jack Kemp: admits he is not the president's closest adviser

ONCE upon a time, long before Dan Quayle and Pat Buchanan ran for anything national and when George Bush was thought to be a Republican moderate, Jack Kemp was the spiritual heir of Ronald Reagan's brand of free market conservatism. In 1988 he even planned a bid for the presidency to keep the flame alight.

The current US housing secretary, former congressman and football quarterback from Buffalo – but born and raised in Los Angeles – still thinks he is that heir.

In a television interview on Sunday, one of many he has given since his home town erupted, he said what America's inner cities needed was "a conservative-based, anti-poverty programme designed to empower people, designed to give them jobs, and educational choice and home ownership".

The difference from 1988 is that these days Mr Kemp uses the word "bipartisan" as a preface to everything he utters. And what this new urban messiah says often seems more in tune with what the Democrats who run most of the country's big cities want than what the Republican administration in which he serves is prepared to countenance.

"It is no secret", he told a group of foreign journalists last week, "that I am not the president's closest adviser." But it is also the case, as Mr Bush contemplates what he will do for the cities in the wake of Los Angeles, that today Mr Kemp is a man the president can no longer ignore.

There is a real war for the president's ear inside the current administration. It pits Mr Kemp's vision of government activism, broadly in line with that espoused by Mr Michael Heseltine in Britain, against the more conventional law-and-order views associated with Vice-President Quayle and Mr Buchanan, a right-wing commentator.

How Mr Bush resolves the conflict could affect his re-election chances.

Yesterday, for example, a New York Times-CBS opinion poll found 60 per cent of 1,253 adults surveyed believed the nation was spending too little on urban problems and only 15 per cent too much.

The differences between Jack Kemp and Dan Quayle lie in emphasis more than in substance

It also found 57 per cent disapproved of the way Mr Bush was handling race relations and 46 per cent were dissatisfied with his specific responses to Los Angeles. This may be contrasted with the overwhelming support given his handling of last year's national "crisis", the Gulf war.

There may be consolation for the president in the fact that those polled did not think that either Governor Bill Clinton of Arkansas, the presumptive Democratic candidate, or Mr Ross Perot, the prospective independent, would have done any better. But it showed some tightening of the presidential race, with Mr Bush at 36 per cent, Mr Clinton 30 per cent and Mr Perot 25 per cent, against the 38-28-23 per cent split shown in an April survey.

It is also possible that the problems of the inner cities will fade as an election issue by November. Mr Nelson Polsby, a political historian from the University of California, wrote in the New York Times on Sunday that the frequently-made comparisons with the riot-ridden year of 1968, which resulted in the election of Mr Richard Nixon and Mr Spiro Agnew on a strong law-and-order ticket, might be invalid.

"Even dramatic events", he wrote, "frequently have a short shelf-life," which is certainly the case with the Gulf war. He argued that the most profound political event of that year was not the urban riots but the assassination of Robert Kennedy, which fatally weakened the Democratic party.

Mr Bush, however, is in all matters domestic essentially a reactive president disinclined to take the longer view, as his variable responses to Los Angeles have demonstrated. Later this week he is going to lay out what he thinks should be done now.

Mr Kemp concedes he will not be given a fistful of dollars to do the job. In his view "it's not how much money you spend as much as how you spend it". He accepts that the safety net of the Great Society programmes of the 1960s should remain in place, though some could be reformed, and that "they did not cause the Los Angeles riots".

He wants instead to build "ladders out of poverty" for inner-city residents through enterprise zones, home ownership, entrepreneurship, job training and educational choice. Federal enterprise zones, which already exist in many states, were an ingredient in last year's tax bill, vetoed by the president because it also included some tax increases.

This must be set against the views of Mr Quayle, also interviewed extensively on Sunday. The differences lie in the emphasis more than in the substance, with the vice-president also subscribing to much of Mr Kemp's specific agenda. But he would spend more on law enforcement and on building prisons, and less on the social safety net.

"The philosophy and ideology of the Great Society, preaching entitlement and dependency, has to change," according to Mr Quayle. "We need to have security. If you're going to have fear in the cities, businesses aren't going to go down there and invest."

Having been a lonely figure in the Bush administration for three years, trying to breath life into a moribund and scandal-ridden department and unable to stop a steady decline in federal funding for the cities, Mr Kemp cannot be sanguine that the president will bring him in completely from the policy-making cold.

But at least he has emerged from the national political shadows into the mainstream of the inner-city debate.

Even Mr Clinton, whose own views are not a million miles from Mr Kemp's, has taken to praising him as the lone voice of reason inside the administration, which is a far cry from anything imaginable just four years ago.

Dan Quayle: philosophy and ideology of Great Society must change

Electoral funding reform rebuffed

By George Graham in Washington

EFFORTS to reform the way US political campaigns are financed have again run aground, but the issue seems likely to haunt politicians in November's elections.

President George Bush this weekend vetoed a bill passed by the Democratic-controlled Congress that would have imposed voluntary limits on campaign spending in return for partial government funding.

The bill would also have curbed "soft money" donations channelled through political parties, but would have done little to reduce the influence of political action committees (PACs), interest groups which are among the main financiers of elections for the House of Representatives.

Sponsors of the reform admit they have little hope of overriding the veto, which would require a two-thirds majority of both the Senate and House. But some Democrats believe Mr Bush's move could lose him votes this autumn.

On three occasions in recent weeks Mr Bush has faced fundraising embarrassment; when a Bush-Quayle fundraising dinner listed a number of corporate sponsors, in apparent violation of a ban on company donations; when a Republican fundraiser was sued by his employees who claimed he had coerced them into contributing to the party; and when the Republican party had to place in escrow a $400,000 (£226,000) donation from a man whose former wives and business partners say he owes them several times that amount.

Most Republicans oppose the principle of government financing for congressional election campaigns – although they condone a similar system for presidential campaigns by which the government matches small contributions. They point out that the Democrats fudged the issue by failing to include in their bill any ideas about where the government money would come from.

Republicans also oppose the concept of spending limits, on the grounds that challengers must be free to spend as much as they need to overcome the built-in advantages of an incumbent – although when elections come down to a sheer spending battle it is the incumbent who almost always wins.

Moves to cap campaign spending generate widespread voter support, but any limit must be voluntary as the Supreme Court has ruled that mandatory limits infringe a candidate's right to free speech.

Brazilian state to privatise services

By Christina Lamb and Stephen Fidler in São Paulo

THE government of São Paulo, Brazil's largest and richest state, is launching a programme to privatise its public services.

Mr Luis Antonio Fleury, state governor, said he was seeking private funding for the maintenance and operation of existing services, as well as the construction of new public works on a concession basis.

The first stages of the programme, approved last week by the state legislature, would include privatisation of the road network, water treatment plants, small energy generation projects, and expansion in the use of natural gas, the river transport system and inter-municipality bus services.

The programme is open to foreign participation. Mr Fleury said there had already been interest from Canadian, French, Spanish and British companies, including North-west Water. Most were planning to bid in a consortium with Brazilian companies.

He had received offers of finance from foreign banks as the projects would be a private, rather than state, initiative. Tenders for concessions will be offered in 30 days for international bids.

São Paulo is the centre of Brazilian industry and has a GDP of about $170bn (£96bn) – 39 per cent of the national total and more than that of Argentina. Its population is 31m.

Explaining the decision to privatise, Mr Fleury said the state no longer had the capacity to invest in public works. "There are two ways to overcome this – putting up taxes, which is not feasible, or privatising."

In the initial stages alone, the programme would save the state $600m.

Mexican trade deficit at $1.38bn in February

By Damian Fraser in Mexico City

MEXICO recorded a trade deficit of $1.38bn (£772m) in February, bringing the deficit for the first two months of the year to $2.59bn.

The figures suggest the annual deficit, on current trends, will be close to $16bn, far above official government forecasts and nearly $5bn more than last year.

However, the deficit's rate of growth has slowed and may have levelled off. For the past four months the monthly deficit has hovered between $1.2bn and $1.4bn.

February's deficit falls to $1.04bn if revenues from *maquiladoras* (in-bond plants) are included. While revenues from oil exports have fallen, manufacturing exports rose to $1.3bn in February, 23 per cent more than a year earlier. Imports climbed to $3.46bn, an increase of 29 per cent on February 1991.

In the short-term Mexico can easily finance its widening trade gap as reserves are estimated to top $20bn and foreign capital continues to roll in.

Can you spot the typical European?

The concept of a "typical European" – an abstract man-in-the-street sometimes used as a basis for corporate strategic planning – is rooted in a misunderstanding.

Even within the Common Market, Europeans aren't all alike.

Indeed, the closer you look at the New Europe, the more clearly its complexities stand out.

This is due not only to obvious historic, linguistic, cultural and economic causes. It also reflects a tendency towards greater structural differentiation.

This trend will no doubt intensify in view of the desire on the part of some EFTA countries to join the EC and given recent moves towards closer cooperation within the framework of a European Economic Area (EEA).

And ultimately, the success of economic reform in Central and Eastern Europe will also have a substantial impact.

Among other things, the more liberal environment in the future could lead to a merger of national economic centers into larger, regional markets, without regard to internal political boundaries.

Markets for goods and services will change, and there will be an increase in the international division of labor. And of course, competition will heat up.

Dynamic companies who wish to consolidate or expand their positions in the New Europe will be dealing not only with one of the most interesting of the world's regions, but also with one of its most complex marketplaces.

That is why Dresdner Bank gives such a high priority to helping customers succeed in the Europe of the future. One example of this ongoing commitment is our specialized international banking subsidiary in Luxembourg – Europa Bank – who can help you obtain subsidies under regional, national or EC support programs.

In the final analysis, the expertise and commitment of our employees are the keys to ensuring that our customers derive maximum benefit from Dresdner Bank's worldwide network, vast experience and ability to respond quickly and flexibly to rapidly changing situations.

After 1993, Europe will be a highly complex marketplace.

Although we do not underestimate the challenges posed by the New Europe, we face the future with optimism and confidence.

After all, we're based in the center of Europe. And that gives us a home team advantage.

Dresdner Bank

NEWS: WORLD TRADE

Textile makers warn on Asian exports to US

By David Dodwell, World Trade Editor

ASIA'S textile exports to the US will grow twice as fast over the coming decade as the US textiles market itself, US textile manufacturers argue in their latest volley against proposed reforms of the multi-fibre arrangement (MFA) regulating world trade in textiles.

According to a survey commissioned by the American Textile Manufacturers Institute (ATMI), Asian quotas will grow by 5.77bn sq metres over 10 years from 7.9bn sq m in 1993 to 13.7bn in 2002. This would account for 74.1 per cent of all quotas entering the US market, if proposals in the draft agreement on the Uruguay Round of world trade talks are put into effect.

"The Uruguay Round shuts the door on the developing countries of the world that the US is committed to help so that the Far East manufacturers can add to their wealth," said Mr Carlos Moore, ATMI executive vice-president. "India and Pakistan will get some benefits from abolition of the MFA, but China is going to be the dominant supplier."

Mr Moore's first concern is closer to home: protection of US textile industry jobs. In a report published two months ago, the ATMI warned the phased dismantling of the MFA quota system under Uruguay Round proposals would cut US domestic output of textiles and apparel from 18bn sq m to 3bn sq m by the year 2001. US jobs in the industry would be cut from 1.76m now, to 300,000 in 2001, the report claimed.

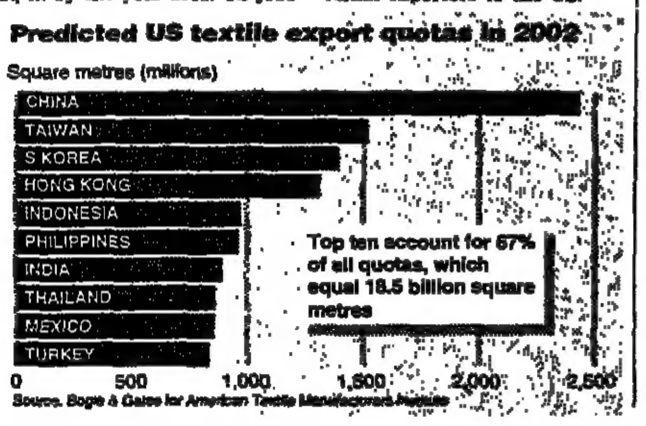
In a draft agreement for the long-delayed Uruguay Round, it is proposed that textiles come for the first time under the General Agreement on Tariffs and Trade (Gatt). Over a 10-year period, quota arrangements that have for 40 years controlled world trade in textiles will be dismantled. US textile lobbyists want the transition period to be extended to 15 years to give US manufacturers time to adjust.

The ATMI study argues that Asia's quotas, principally held by China, Taiwan, South Korea and Hong Kong, will grow at about twice the rate of the US market. Against Asia's quota growth of 5.77bn sq m, the US market is expected to grow at 1.5 per cent a year, increasing demand by 2.92bn sq m to just under 33bn sq m.

It shows Asia providing 14 of the top 30 textile exporters to the US market. Only Turkey and Mexico squeeze into the top 10. "Just three Far East countries, China, India and Pakistan, will have greater quota for access to the US textile and apparel market than Eastern Europe, Africa, South America, Central America, the Caribbean, Mexico, Central and Eastern Europe, and Russia combined," Mr Moore said.

This latest study reflects an attempt to widen the appeal of ATMI lobbying against the draft Uruguay Round text by targeting the concerns of non-Asian exporters to the US.

Predicted US textile export quotas in 2002



Source: Bogle & Gates for American Textile Manufacturers Institute

US steel bid to head off dumping cases

By Nancy Dunne in Washington

US STEEL traders will today urge the government to resume multilateral steel talks in the hope of heading off a huge filing of dumping cases.

Mr John Griffin, president of the American Institute for International Steel, is asking the US to work "vigorously" to back the talks, which broke down on March 31 without an agreement on limiting trade-distorting practices. Institute members, which import and export steel, fear retaliation by nations hit by anti-dumping or countervailing duties.

The six largest US integrated steel producers said yesterday they were starting "consultations" with the US government before cases were filed against "unfairly traded" steel products. The companies, USX-US Steel, Bethlehem, LTV, National, Inland and Armco, said a decision on the timing of the filing was expected soon.

Reports are circulating in Washington that 87 complaints have been prepared against 20 nations for alleged dumping of flat-rolled and plate steel. Bethlehem and CR&I Steel have filed petitions alleging dumping of steel rail from Japan, Luxembourg and the UK.

The two contend that because of the dumping, the domestic share of the US steel rail market has fallen by an average 9 per cent a year from 1989 to 1991. They are seeking duties of almost 40 per cent on steel rail from Japan, 24.4 per cent on rail from Luxembourg, and 50.6 per cent on UK rail.

Mr Griffin says US steel exports last year rose by 47.5 per cent (2m tonnes), while imports fell by 1.4m tonnes, a trend continuing in January and February this year. "In these circumstances, injury will be difficult to prove for US mills," he said.

The EC has urged American companies not to return to "practices of harassment bitterly experienced by US trading partners in 1982 and 1984" and asked the US government to be "severe in the examination of anti-dumping".

Foreign chip makers advance into Europe

The trend is to dominance by US and Japanese groups, Michiyo Nakamoto writes

IN the rural setting of Avezzano, a peaceful town about 100km east of Rome, Texas Instruments of the US on Friday officially opened a new factory making semiconductor chips for the European market.

It is just the latest in a number of foreign-owned chip plants to open in Europe. One of the world's most advanced plants, it provides vivid testimony to the growing foreign presence in the European semiconductor market.

The Avezzano plant, where Texas Instruments will produce 4-megabit dynamic random access memory (DRAM) chips for use in a broad range of electronics products from personal computers to telecommunications systems, has been the subject of some controversy since it was announced in 1989.

At a time when indigenous semiconductor manufacturers have been struggling for survival in the increasingly competitive trading environment, the US group has secured more than half the cost of its main investment in Europe from the Italian government, which is providing as much as \$650m (£367m) of the \$1.2bn the programme is costing.

The Avezzano plant raises difficult issues not only for Europe's indigenous chip makers, faced with a growing foreign presence in their own market, but also for European industrial policy.

In the world of semiconductors, Europe as a market place is coming to mirror more and more the world trend towards dominance by the large US and Japanese groups.

Foreign chip makers have been stepping up their activity in Europe in response to a growing need to be closer to customers, in order to remain competitive.

They have also been under pressure from their own customers in Europe, led by the large US computer and information technology groups, to move production to the region and supply them with locally designed and manufactured products to meet the EC's local content rules.

Last year Fujitsu, the Japanese computer and semiconductor group, started producing 4-megabit DRAMS in England and, NEC, the Japanese electronics and semiconductor group, added a 4-megabit DRAM facility to its plant in Scotland.

Hitachi and Mitsubishi, the integrated Japanese electronics groups, have also announced plans to set up DRAM production in Europe.

Local production of memory chips by the foreigners comes when the Europeans are already losing their grip over their own market. The top three European manufacturers still dominate the European rankings, but they each lost market share last year, according to a survey by Dataquest, the high technology consultancy.

Philips, the Dutch electronics group, maintained its leading position in the European semiconductor market, but saw sales growth of just 1.5 per cent, against growth in the European market of 6.8 per cent.

Siemens of Germany followed in second place but posted a 0.6 per cent decline in sales, while SGS-Thomson, the Franco-Italian group in third place, saw sales decline 2.3 per cent.

As a group, European semiconductor makers saw their share of the European market fall from 39 to 38 per cent last year, even before a number of new foreign-owned plants have started to turn out products in volume.

The growing presence of foreign manufacturers in the EC means that although by 1995 Europe will be producing about 60 per cent of its indigenous demand for 4-megabit DRAMS, 80 per cent of that locally-produced supply will come from foreign-owned manufacturers, Dataquest says.

The remaining 20 per cent will come from Siemens, the German group which is the only remaining European manufacturer still producing DRAMS.

In the short term, the volume production by foreign makers of memory chips for the European market poses the greatest threat to Siemens.

But as production of semiconductor chips in Europe increases in line with any pick-up in economic activity, the European market is likely to be fought over more among themselves by foreign manufacturers.

"The competition here is the same as we face anywhere in the world," says Mr Jerry Junkins, chairman, president and chief executive officer of Texas Instruments. That competition comes from the large US, Japanese and increasingly Korean, manufacturers rather than the European, which hardly have a presence outside their home market.

The deal between Texas Instruments and the Italian government, which has one of the EC's worst records for high-technology investment, is also instructive as a likely harbinger of things to come.

The agreement provides the Italian government, also under pressure to assist in recapitalising SGS-Thomson, the semiconductor joint venture with the French Thomson group, with investment from the US group, in a deprived region in an industry the government would like to support.

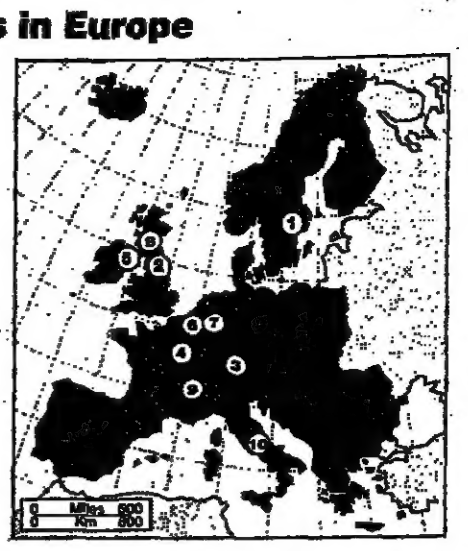
But Texas Instruments believes it is also indicative of a growing recognition in Europe that foreign manufacturers have a contribution to make.

"I am convinced there is a new direction taking place in Brussels which recognises the importance of good European citizens like ourselves and the contribution these companies can make to improve the competitiveness of the European electronics industry," says Mr Roberto Schisano, president of Texas Instruments in Europe and vice-president of the its semiconductor group.

Whether the attitude in Brussels has seen such a change or not, the Italian-American partnership reflects a growing trend for investment in new semiconductor technology in Europe, and therefore European competitiveness in electronics, to be increasingly dependent on foreign manufacturers.

New chip-making facilities in Europe

	Company	Location	Status
1.	Halo	Jarfalla, Sweden	In production
2.	Fujitsu	Newton Aycliffe, England	In production
3.	Hitachi	Landshut, Germany	In production 2nd half '92
4.	IBM/Siemens	Corbeilles, France	In production, by 2nd quarter '92
5.	Intel	Leixlip, Dublin, Ireland	Under construction, production end '93
6.	Mietec	Oudenaarde, Belgium	Foundations laid, production '93
7.	Mitsubishi	Aachen, Germany	Under construction, production end '93
8.	NEC	Livingston, Scotland	Extension to existing facility in production
9.	SGS-Thomson/CNET	Grenoble, France	R&D facility, under construction production '92
10.	Texas Instruments	Avezzano, Italy	In production



Rocket row ban on India, Russia

THE US has announced limited trade sanctions against Russia and India in protest at the sale of Russian rocket technology to the Indian space authority, George Graham reports from Washington.

The two-year ban covers sales of US goods needing an export licence, to Russia's space institute Glavkosmos or the Indian Space Research Organisation (Isro). US imports from, or government orders with, Glavkosmos and Isro come under the same ban.

A US official said Missile Technology Control Regime members had tried to dissuade Russia from selling the rocket motors to India; they believe it violates MTCR rules against missile technology proliferation. Technology for peaceful satellite launchers and ballistic missiles was almost indistinguishable; US sanctions applied where a rocket system could deliver a 500kg payload for 300km.

Baltic states in EC link

THE EC yesterday signed 10-year trade and co-operation accords with Albania and the three Baltic states, David Buchan reports from Brussels. The EC will scrap all discriminatory quotas against imports from the four countries; they pledge not to use licensing or foreign exchange controls to impede imports from the EC.

Latvian, Lithuanian and Estonian ministers hoped yesterday's pacts, giving them the benefits they briefly had under the EC's 1990 trade and co-operation accord with the Soviet Union, would be followed by eventual talks with Brussels on free trade.

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Indian bank chiefs face securities fraud probe

By David Housego in New Delhi and R.C. Murthy in Bombay

THE Indian government is pursuing possible fraud charges against senior executives of state owned banks involved in a securities trading scandal.

Dr Manmohan Singh, finance minister, told the Indian parliament yesterday that the Central Bureau of Investigation (CBI) had been asked to examine trading in bankers' receipts by State Bank of India, the largest of the state owned banks, as well as by National Housing Bank and United Commercial Bank. Bankers' receipts are promissory notes issued by banks to register the transfer of government securities.

Senior government officials said yesterday that bogus paper had been traded and that the police had been called in to pursue fraud charges. Funds from trading in bankers receipts were syphoned into the stock market and helped fuel the recent share price boom.

The Bombay Stock Exchange index – which has fallen 18 per cent over the last two weeks – slid a further 237.95 to 3,420.05 in nervous trading. Institutions were reported to have intervened to stabilise prices.

Mr S. Venkitaramanan, the governor of the Reserve Bank of India, the central bank, confirmed that several officials of the three banks had been suspended or asked to take immediate leave.

Apart from M.H. Pherwani, who resigned as chairman of National Housing Bank on Saturday, Mr K.Margabandhu, chairman of United Commercial Bank, and Mr C.L. Khemani, deputy managing director of State Bank of India, have also been asked to take leave.

Among others under investigation is Mr Harshad Mehta, a prominent Bombay broker and a leading "bull" on the market who was recently forced to settle outstanding accounts with State Bank for Rs6.2bn (£120m).

The Reserve Bank governor yesterday used a gathering with bankers to ask them to establish banks' total exposure in what is being described as India's worst financial scandal. Bankers informally say that banks' exposure to irregularities in the securities market could be Rs30bn-Rs40bn.

Dr Singh told parliament that the Reserve Bank had established a prima facie case against the three banks named in the securities scandal.

Eugene Terre'Blanche, the white extremist leader, arrives at a magistrate's court at Potchefstroom yesterday to face charges arising from last year's "Battle of Ventersdorp" where three died in violence at a meeting being addressed by President F W de Klerk.

EC holds up $150m grants for Nigeria

THE European Community said yesterday that Nigeria could not tap approved EC grants totalling about $150m (£84.7m) until it had International Monetary Fund approval for tough economic reforms, Reuter reports from Lagos.

"We need the approval in order to guarantee that Nigeria will make effective use of the money," an EC official said.

The money in question is an Ecu83.7m General Import Programme allocation and an Ecu40m export promotion grant.

Nigeria, in the sixth year of free market economic reforms, is negotiating a new standby loan facility with the Fund. It does not draw on IMF facilities but needs IMF endorsement of its reforms to claim easier terms on its roughly $30bn foreign debt and to gain access to new funds.

The reforms were introduced by military President Ibrahim Babangida to rescue an economy crippled by low oil prices, corruption and poor productivity.

The IMF and Nigeria signed a 15-month, $450m credit deal in January 1991 but Lagos failed to win IMF approval last year under a mid-term review of the accord.

It failed to meet IMF conditions such as public spending cuts and closing a gap between official and free market exchange rates for its naira currency. It has since taken steps to close the exchange rate gap.

Elections speed Tehran's farewell to the ghost of Khomeini

Anti-US slogans disappearing from the capital's walls indicate a readiness to consider relations, writes Colin Barraclough

ANTI-US slogans still emblazon Tehran's walls, and Friday prayers at the University of Tehran kick off as usual with the regulation chant of "Death to America".

But the slogans are fast disappearing. Mr Gholam Hossein Karbaschi, the new city mayor, has despatched clean-up squads to remove the worst of the graffiti. His employees apparently read the slogans and decide which are just too good to remove. Any that fail the test are summarily whitewashed.

Iran's estrangement from the world economy is drawing to an end. Non-oil exports doubled this year, trade with Europe and Japan reached record heights, and supporters of reformist President Hashemi Rafsanjani scored a runaway success in parliamentary elections.

In fact, reform is so advanced in Tehran that there is even talk of a rapprochement with the Great Satan, the US. Even to whisper the word America is risky, but several signals from Tehran point to a willingness to consider relations.

Trade with US companies, conducted largely through intermediaries, is booming. One diplomat in Tehran estimated that bilateral trade between Iran and the US amounted to $500m (£282m) during the year to March, making the US Iran's seventh largest importer.

As far back as last September, Mr Mohammad Javad Larijani, a member of Iran's National Security Council and an influential adviser to Mr Rafsanjani, told the Washington Post that normal relations with the US were "theoretically not impossible". He said that publicly stating such a position in Tehran had been difficult because of pressure from hardline critics.

With the hardliners' vitriol dampened by poor election results, the way is presumably clearer for more constructive moves.

The biggest stumbling block to restoring ties is the $10bn of Iranian assets which Tehran claims is frozen in the US. Washington seized the money after Iran's Islamic revolution in 1979, but it has never officially announced the amount it is holding. Iranian claims for compensation have been bogged down at The Hague tribunal since 1981.

There were indications of a thaw in relations last November, when Washington released $278m for weaponry impounded by the US after the Islamic revolution, but there has been no progress since.

Emotions in Tehran are still provoked by talk of America. Candidates in the elections to the majlis (parliament) accused one another of harbouring friendly sentiments towards the US.

Some candidates even mentioned better relations with the US in public speeches, however. Mr Rajaie Khorassani, former Iranian ambassador to the United Nations, admitted in a campaign speech in early April that restoring diplomatic relations with America was at least a possibility. "The experts study and decide that it is in the interest of the Islamic republic of Iran," he said.

"They are arguing about the price of relations, not the principle," said a diplomat.

Mr Ali Akbar Velayati, the long-serving foreign minister, is more cautious. He denies that any positive approach towards the US is possible without the unilateral release of funds by Washington. But Mr Velayati does not always see eye-to-eye with his president about the speed of reform in foreign policy.

Mr Velayati is closely allied with Iran's spiritual leader, Ayatollah Ali Khamenei, whose politics falls between the reforming camp of President Rafsanjani and the hardline faction of Mr Mehdi Karrubi, parliamentary speaker. The president is reported to be frustrated with the slow speed of Iran's rapprochement with the west.

Some suggest that the US is now more hardline on rapprochement than Iran. "The United States sees Iran as it was 13 years ago," said one American commentator in Tehran. "Things have moved on since then."

Officially, Washington is nervous about Tehran's intentions. Iran is reported to have bought some $2bn worth of tanks, aircraft and submarines from former Warsaw Pact countries. It is developing medium-range missile technology with North Korea. Rumours still persist that it is trying to secure nuclear technology from a Central Asian republic.

Tehran has a case for rearmament. It has emerged from a devastating eight-year war against Iraq in which its stock of military hardware was all but wiped out.

Understandably, Washington wants to tread cautiously on relations with Iran, at least until the US presidential election in November is over. Too much political blood has been spilled over Iran in the past decade for rash gestures.

But a new White House might do well to take a closer look at Tehran and recalculate its sums. An expanding economy, replete with oil, gas, minerals and enormous potential, is hungry for investment. But if these hopes of betterment are not fulfilled, the country could still abandon reform and turn back to the ghost of Ayatollah Khomeini.

A senior Iranian official yesterday predicted that a sweeping victory in parliamentary elections for supporters of Iran's President Hashemi Rafsanjani would strengthen economic liberalisation in Iran, Tony Walker reports from Tehran.

Mr Ali Akbar Velayati, Iran's foreign minister, told the Financial Times that "getting a majority in the parliament" would help Mr Rafsanjani implement his reforms.

He was speaking as final results in elections for Iran's 270-member parliament were announced. The results confirmed earlier reports of a landslide victory for Mr Rafsanjani's supporters throughout the country, and a rout of his radical opponents.

Mr Velayati said Iran's president would now press ahead with completing the country's 1989-94 five-year economic development plan which placed particular emphasis on reconstruction following the eight-year war with Iran.

Mr Rafsanjani, president since July 1989, encountered resistance to his reformist policies from the old parliament which was dominated by radicals elected in 1988 while Ayatollah Khomeini was still alive.

According to Tehran Radio, 268 of the 270 parliamentary seats have been finalised. Voting in two electorates had been declared null and void. Rafsanjani supporters appear to have made their strongest showing in Tehran.

Earth Summit draft held up

SHORTAGE OF funds divided 83 governments yesterday as they began to draft a treaty to save the world, Reuter reports from Nairobi.

The eight-day conference is to agree a framework to protect the richness and diversity of the earth's plants, animals and micro-organisms for heads of state to sign at the Rio de Janeiro Earth Summit next month.

Government given a week to achieve compromise

Thai protesters call truce

By Peter Ungphakorn in Bangkok

PROTESTERS called a truce in their week-long demonstration in the Thai capital yesterday, but said they would return next weekend to make sure a compromise reached on Saturday was implemented.

The main issue still to be resolved is whether Gen Suchinda Kraprayoon, the unelected prime minister, will have to leave office soon.

The protesters, whose numbers reached 100,000 over the weekend, accused him of trying to increase the military's domination of Thai politics, and have been calling for his immediate resignation.

The prime minister said yesterday he would accept whatever parliament decided. A key point in the compromise agreed by nine governments and opposition parties on Saturday, is an amendment to the constitution that would prevent the appointment of a prime minister from outside the House of Representatives.

This would force Gen Suchinda, who engineered last year's coup d'état and was army chief until he was appointed prime minister last month, to leave office or seek election. Asked if he would stand in a by-election, he insisted he would not.

Maj Gen Chamlong Srimuang, the opposition leader who ended his hunger strike on Saturday, told the crowd to go home, get some rest and return to their jobs. A new rally is planned for Sunday.

Maj Gen Chamlong said yesterday an interim provision should allow Gen Suchinda to remain as caretaker prime minister for no more than 15 days after the amendments take effect to allow a new premier to be picked.

But one government party leader said it would be wrong to dismiss Gen Suchinda hurriedly since he was chosen constitutionally by a majority in the elected House of Representatives.

The government parties could try to extend Gen Suchinda's premiership by proposing an interim measure that would allow him to stay in office for much longer, perhaps until the next election.

The parliamentary process of amending the constitution could itself take a month or more.

The stock market reacted with relief to the easing of tension after a month-long crisis. Its share price index rose 41.81 to 774.70, recovering much of the ground it had lost over the past week.

Bangkok shows its anger at the generals' grip on power

Peter Ungphakorn reports on why the people of Thailand have taken to mass protest

The Thai media calls them the country's "yuppie revolutionaries". They drove in their new Japanese and German cars to express their resentment against the military domination of politics. They used their mobile telephones to call their friends and relatives to join last week's demonstrations and to berate radio phone-in hosts.

In reality the crowds that protested round the clock for a week, swelling to as much as 100,000 two nights running at the weekend, were much more of a cross-section of Thai society than the colourful reports suggest. In a country that is usually politically apathetic, their numbers have surprised analysts.

The end of the protests yesterday was described as a truce. Another rally has been called for Sunday to make sure compromises reached over the weekend are implemented.

Urban Thais are much more internationally-minded than 20 years ago. They have become accustomed to a free press, and resent military interference in civilian affairs. More elected politicians now have the confidence to confront the generals directly. Following the end of the cold war and the easing of conflict in Cambodia, the military have difficulty in claiming they are needed to combat a security threat.

The protests were not only about principles: the fact that Gen Suchinda Kraprayoon was appointed prime minister without having stood in the March 22 general election is only part of the story.

Demonstrators also applauded loudly when speakers criticised Gen Suchinda's brother-in-law, Gen Issarapong Noonpakdi, who last month replaced him as army commander, and Gen Kaset Rojananil, the air force chief who succeeded Gen Suchinda as armed forces supreme commander.

The three were contemporaries in military academies and have worked together closely for years. They are now being accused of nepotism, seeking to further business interests, and it is claimed they created the five-party coalition that supports the prime minister.

The fact that the Thai political climate has changed since the last large demonstrations in the 1970s was not entirely recognised by the military, although Gen Suchinda has had to rely on parliamentary support in order to claim legitimacy.

In a propaganda campaign against the protesters, the military resorted to speeches and announcements that increased public anxiety. Radio and television, was heavily censored, sometimes issuing false information. This merely infuriated a large section of public opinion in Bangkok where critics of the government were easily able to find out what was happening.

The errors almost cost the prime minister his two-week-old job because of the upsurge in opposition. In any case, as a result of the week end compromise, the former army commander who left the military to take up the premiership may have to resign sooner than he planned.

The government parties have now agreed to amend the constitution to prevent a non-elected prime minister from taking office. When the amendment takes effect Gen Suchinda will not be able to continue in office unless he seeks election.

Last Thursday he inflamed public resentment by making a brief and belligerent speech that revived cold war images of the 1970s. He said he had accepted the premiership in order to be an impartial leader for the five-party coalition, and in order to protect the country from two dangerous opposition leaders. He accused Gen Chavalit Yongchaiyudh, his predecessor as army commander who left the military to run for parliament, of seeking to set up a "praesidium" style of government – in other words of being a communist.

And he said true Buddhists had asked him to defend the religion against the deviant faith of Maj Gen Chamlong Srimuang, the former governor of Bangkok. Maj Gen Chamlong, who was on hunger strike outside parliament at that moment, has gained immense popularity in the capital because of his modest, moral lifestyle.

Although Gen Suchinda's tone has moderated since then, he still accuses protesters of trying to overthrow the government, and he uses a Thai phrase that has connotations verging on "treason".

The irony has not been lost on the protesters who are only demanding his resignation – Gen Suchinda was one of the leaders of the coup d'état last year that overthrew the elected government of Gen Chatichai Choonhavan.

Five government and four opposition parties have agreed that four provisions of the constitution drafted last year under military domination would be changed:

- The prime minister would have to be an elected MP;
- The appointed Senate would no longer be able to participate in no-confidence debates and could only delay legislation it considers unwise;
- The president of parliament, who plays an important role in selecting the prime minister, would be the speaker of the elected House of Representatives instead of the president of the appointed Senate;
- MPs would be allowed to table motions and question ministers during the second session of parliament in each year – under present provisions this is possible only during the first session.

When they finally dispersed in the early hours of yesterday morning, the protesters gave government parties one week to study details of the proposed constitutional amendments and say when the changes would come into force. Already there are signs some government parties could try to delay implementation. The protests could thus begin afresh.

Voters form queues three storeys deep at a Manila high school as polling gets under way early yesterday

Lawyer joins frontrunners in Manila polls

By Victor Mallet in Manila

MRS Miriam Defensor Santiago, an outspoken lawyer, emerged yesterday as one of the early frontrunners for the Philippine presidency after a heavy turnout in the country's national and local elections.

By last night, however, only a fraction of the votes had been counted in preliminary unofficial tallies, and Mrs Santiago was joined at the top of the league of seven presidential candidates by Mr Eduardo Cojuangco, an associate of the late dictator Ferdinand Marcos, and Mr Fidel Ramos, the former defence chief.

Slow returns from remote provinces could change the picture, and official results are not expected for days. About 80 per cent of the country's 32m voters are estimated to have gone to the polls.

Eleven people were reported killed throughout the islands in scattered election violence, bringing the total number of deaths in the campaign to more than 50, but officials expressed satisfaction at the relatively orderly conduct; over 140 people died in local elections four years ago.

Mrs Santiago, a former judge and immigration commissioner, has endeared herself to the poorer voters of Manila for her outspoken condemnation of corruption, but her economic polices are vague and she has been accused of mental instability by her opponents.

As she cast her vote, the 46-year-old Mrs Santiago confidently predicted she would win a landslide victory. "There's an almost palpable thrill of excitement running through the country today," she said.

Mr Ramos, aged 64, was vigorously supported by Mrs Corazon Aquino, the outgoing president. He enforced martial law under Marcos, but helped Mrs Aquino come to power by switching sides in the 1986 revolution and has since protected her from six coup attempts.

Voters yesterday were faced with the task of writing down up to 44 names on their ballot papers for the presidential, congressional and local elections. Some – including presidential hopeful Mrs Imelda Marcos, widow of Ferdinand – looked like worried examination candidates as they took more than the allotted 20 minutes to complete the forms; others gave up the unequal task.

Canvassers handed out thousands of sample ballot papers for Filipinos to copy in the polling booths, and by the end of the day voters were wading through heaps of discarded crib sheets.

The atmosphere in Manila was calm and cheerful but violence was reported from the troubled southern island of Mindanao and elsewhere. In one incident, three body guards of a provincial governor were shot dead by troops when they tried to enter a polling station.

Mrs Aquino reflected the national mood when she said she felt fulfilled "because we restored democracy and we are able to hold our elections in a very peaceful and orderly manner".

Australia doubles deficit target

By Kevin Brown in Sydney

AUSTRALIA'S federal budget deficit is expected to reach A$9.3bn (£3.97bn) in the year to the end of June, the government said yesterday. The forecast is nearly double the budget estimate published in August, and A$2.5bn higher than the last revision three months ago.

Mr Paul Keating, Labor prime minister, announced the revised forecast during talks with state leaders on planned reforms to financial and administrative links between Canberra and the states.

He said the deterioration was caused by a shortfall in tax receipts, and forecast a further rise in the deficit to A$10.5bn for 1992-93. The government expects the budget to return to surplus in 1995-96.

The 1992-93 deficit will be the biggest in cash terms since the mid-1950s. However, at about 2.4 per cent of gross domestic product, it will fall far short of the record 4.75 per cent deficit accumulated by the last Labor government in 1974-75.

The government said the revision reflected a shortfall in tax revenue caused by administrative changes, poor forecasting, and a slower than expected recovery from recession.

Mr John Hewson, the federal opposition leader, said the revision would increase pressure on Mr Keating to hold the election by the end of this year; it must be held by mid-1993.

Mr Keating told state premiers that the deficit increase would not permit a reversal of cuts in federal transfers which the states blame for their aggregate debt of A$70bn.

He also rejected proposals for a guaranteed share of federal tax revenues, and told the states to ease their financial problems by increasing efficiency and cutting costs.

However, the government agreed to consider increasing the predictability of state funding by switching to a three-year financing regime. The two sides will produce a joint study of state finances before the next round of talks in June.

New South Wales minister quits

By Kevin Brown

THE conservative government of New South Wales, Australia's most populous state, suffered a serious blow yesterday when a senior minister told a hearing into corruption allegations he would resign.

Mr Tim Moore, environment minister in the Liberal/National party coalition government, said he was resigning for personal reasons, and would leave parliament before the next state election, due in 1995.

Mr Moore made his announcement on the first day of an inquiry by the state's Independent Commission Against Corruption (ICAC) into the appointment of Mr Terry Metherell, an independent MP, to a senior public service job.

Mr Moore played a key role in the appointment, which has been described as "a straight political deal" by Mr Nick Greiner, the state premier. The government subsequently won a by-election in Mr Metherell's safe conservative seat.

Mr Greiner, Mr Metherell and Mr Moore all deny any impropriety. However, Mr Greiner has been censured by parliament, and the ICAC is investigating opposition claims that Mr Metherell voted with the government on an important bill in return for the job.

The coalition government controls only 48 seats in the 99-seat parliament, compared with 47 held by the Labor opposition. It relies on the support of four independent MPs to remain in office.

The independent MPs say they will demand Mr Greiner's resignation if he is criticised by the ICAC report. If the premier refused to go, the independents say they would put Labor into power.

Miners to benefit from improved pension deal

By Neil Buckley

TRUSTEES of British Coal's pension fund are to use £1bn of a surplus of almost £1.5bn to improve pensions to mineworkers before privatisation. The move would ensure the increases could not be reduced by any new owner.

The company announced last December that the trustees of the Mineworkers Pension Scheme were considering how to share out a £1.491bn surplus. A plan backed by the mining unions involves 70 per cent being used to improve the scheme, and 30 per cent allowing British Coal to extend its contributions holiday from 1994 until the year 2000.

Benefits to members include a 25 per cent service credit for contributors. The normal pension age will be reduced from 62 to 60.

Critics of the plan, however, warn that it could lead to a shortfall in a few years, as staff reductions leave the number of contributors far outweighed by pensioners.

Once British Coal is privatised, it is not clear who would be responsible for making up any shortfall.

Private bidders emerge for sale of British Coal

By Juliet Sychrava

BRITAIN'S largest private coal producer yesterday emerged as a bidder for part of British Coal, the state mining company, and claimed the industry can withstand competition from overseas suppliers.

Ryan Group said yesterday it would be able to buy part of British Coal when it is privatised after restructuring its finances with a £50m equity injection from a City consortium led by the fund management company, Electra.

The move is a sign that private sector coal companies believe British Coal has a future, in spite of pessimism about the company's prospects.

Mr Crispian Hotson, chief executive of Ryan, said mining concerns such as Anglo-United, Hanson, and RTZ would be lining up to bid for parts of British Coal, as well as international coal companies.

Ryan will be one of the smallest vultures gathering around British Coal – it produces only 6m tonnes of coal compared with British Coal's 90m. But Mr Hotson threw down a challenge to British Coal. "We could get their costs down, and so could a number of international companies," he said.

He rejected reports from NM Rothschild, the merchant bank advising the government on the company's privatisation, forecasting that competition from gas and imported coal could force British Coal's total output down from 90m tonnes today to 35m-40m tonnes.

"I think Rothschild has taken rather a narrow view," said Mr Hotson. "They have looked at British Coal as operating in a closed coal economy. But once you get the industry on a world basis, there is a huge export market to Europe."

British Coal's pits could produce 50m tonnes of competitive, he said. At world prices that could mean a revenue of close to £1bn.

Although there are so far no details of how British Coal might be sold, it is likely that it will be split into several companies, and Ryan is hoping it will be able to bid for smaller businesses.

BRITISH RAIL

Networks fail to meet punctuality targets

By Richard Tomkins, Transport Correspondent

A QUARTER of all rail routes in Britain are failing to meet punctuality targets set for them under the British Rail (BR) Passenger's Charter, figures published yesterday show.

Users of the worst lines on the state rail network, however, will not qualify for compensation unless the poor performance is sustained to the end of the year.

The figures are the first to show BR's performance against targets on a line-by-line basis since the Passenger's Charter was launched two months ago.

The worst route for punctuality so far has been Network SouthEast's London-Kent Coast line, where only 73.2 per cent of peak-hour commuter trains reached their destination less than five minutes late. The target for the line is 83.3 per cent.

For cancellations, the poorest performers were Network SouthEast's London Tilbury & Southend line and Regional Railways' North-East lines, both of which ran only 96.6 per cent of scheduled trains. The target throughout BR is 99 per cent.

One surprise in the figures is the particularly poor performance of the InterCity sector, customarily portrayed by BR as the jewel in its national crown.

Rail fatigue: passengers on many routes face delays and overcrowding

All except two of InterCity's seven routes failed to meet punctuality targets, some by a wide margin: and of the two lines which did pass the punctuality test, one – the Gatwick Express – failed on reliability.

The best line in Britain appears to be Regional Railways' North Wales line, which scored 98.2 per cent on punctuality and 99.7 per cent on reliability. InterCity's best performer is the Great Western route out of London's Paddington station, while Network SouthEast's is the line to Northampton from London's Euston station.

Under the Passenger's Charter, regular rail users will get discounts on season ticket renewals if their lines fail to meet performance targets by more than a narrow margin over a 12-month period.

Monitoring, however, only began in January, so BR can avoid giving discounts if it brings performance on the worst lines up to par by the end of the year.

BR said yesterday that although 11 of its 44 routes had failed to meet punctuality targets, only seven of the lines were performing badly enough to trigger discounts for season ticket-holders if they did not improve.

Sir Bob Reid, BR chairman, said: "We have got off to a good start, but we are not complacent about the figures. They have identified many areas where we perform very well, but a few where we are not giving passengers the service we want to."

Mr Roger Freeman, the transport minister, said: "Publication of these figures is an incentive to those who work on the railways. It's not just about discounts."

Ulster politicians set proposals for reform

By Ralph Atkins and Our Belfast Correspondent

NORTHERN Ireland's rival political leaders set out differing proposals for government in the province yesterday as inter-party talks in Belfast appeared to make headway.

The leaders of the pro-British Unionist parties and the nationalists - who favour links with Dublin – met briefly for a plenary session under the chairmanship of Sir Patrick Mayhew, Northern Ireland secretary. Work on possible models for devolution then moved to a sub-committee chaired by Mr Jeremy Hanley, junior Northern Ireland minister.

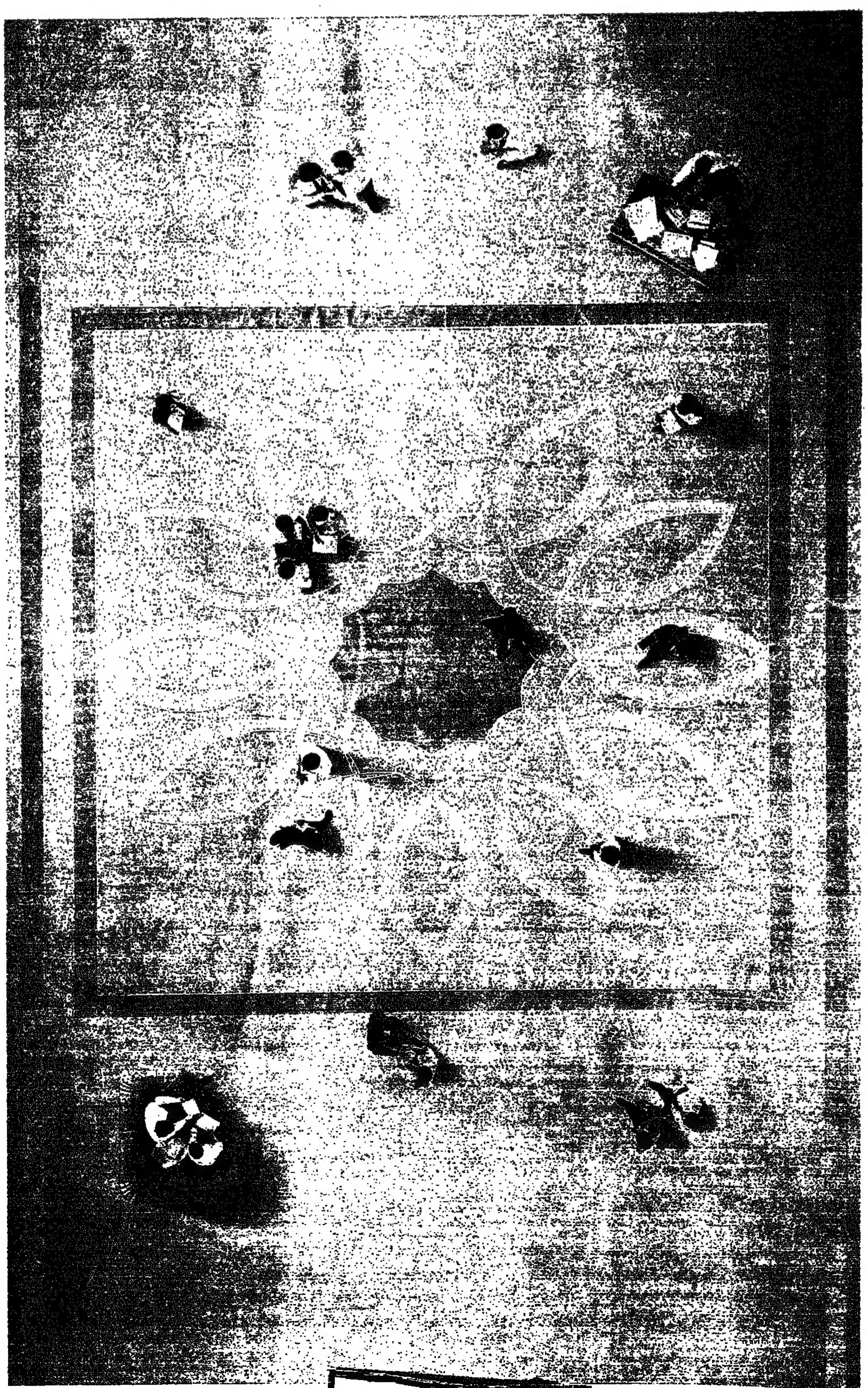
Now in their third week, the "round-table" talks have so far avoided the public rows over procedure which plagued a similar attempt to negotiate Northern Ireland's political future last year.

Sir Patrick, however, will have to decide soon when to move to "strand two" of the talks, when the Irish government will enter and negotiations turn to relations between north and south Ireland. It will be a test of whether Unionist suspicions of nationalists' intentions have receded.

Beforehand, it was agreed by all sides that "strand two" would begin "within weeks" of the start but that may not allow enough time for the still substantial differences over devolved government to be resolved.

Sir Patrick Mayhew, the Northern Ireland secretary, is keen to maintain the momentum and has already given the leaders a document identifying what the government sees as areas of common ground.

Unionists are likely to resist any form of power-sharing administration while the nationalist Social Democratic Labour Party and the moderate Alliance Party are likely to push for this option.



Independent gas supplier moves into UK market

By Neil Buckley

THE COMPETITION to break down British Gas's monopoly of industrial gas supply was broadened yesterday when a new company claiming to be the first truly independent supplier entered the market.

North Sea Gas, based in Bristol, will compete for a share when British Gas auctions off some of its gas later this year. It is also close to reaching agreement with two other gas producers.

Backed by both private and institutional capital, the company aims to serve small commercial and industrial customers in southern and south-western England and south Wales.

Of the 14 existing competitors to British Gas, five are joint ventures between regional electricity companies and Utilicorp, the second largest gas-marketing company in the US. The other nine are owned by oil or gas production companies. North Sea gas is the first independent supplier With no links with a producer.

The announcement came only days after Mr Tim Eggar, energy minister, indicated that he would reduce the threshold for consumption under which rivals to British Gas are allowed into the market from 25,000 therms a year to 2,500 therms later this year.

North Sea Gas has received authorisation to operate from Ofgas, the industry regulator.and so is guaranteed to receive at least the minimum allocation of 10m therms when British Gas sells 500m therms of its gas to competitors this October. It will deliver gas through existing pipelines and meters by renting use of the mains system from British Gas.

Mr Ian Powe, chairman of the Gas Consumers' Council, said he had been eagerly awaiting the the arrival of companies like North Sea Gas in the marketplace. "This is the first example of true competition in terms of purity of operation."

Concern over EC copyright proposals

By Raymond Snoddy

THE UK television and film industry has expressed its "grave concern" to Mr Michael Heseltine, trade and industry secretary, over European Commission copyright proposals.

British broadcasters say Commission plans to harmonise copyright throughout the Community "would wholly underline the copyright system which governs audio-visual production in the UK".

A proposed directive would provide for "equitable remuneration" for any actor appearing in a film or television programme being offered for video rental. All the actors involved in a production would also have a new right to authorise or prohibit the renting of audiovisual works.

The Commission originally sought to extend the controversial rights to all forms of distribution and reproduction but this has been dropped in the latest draft.

"These provisions would be applied retrospectively with alarming implications for owners of film and programme libraries," the letter to Mr Heseltine warns.

The letter is signed by senior executives from the BBC; ITV; Channel 4; PACT, the independent producers alliance; British Screen Finance and by Mr David Puttnam and Sir Richard Attenborough.

The broadcasters and film makers believes the Commission has pursued its objectives without thinking of the implications for the UK industry.

Mr Clive Leach, chairman of ITV's European Committee said: "Potentially this directive is a dagger pointed at the heart of European programme production. It will hamper investment in programmes and put us at a competitive disadvantage with America and Australia."

Critics believes that tens of thousands of contracts might have to be renegotiated – some going back 40 or 50 years.

Banks offer lowest pay rise since 1960s

By Catherine Milton and David Goodhart

PAY RISES in the UK banking sector have fallen to their lowest level since the 1960's, with all the major banks settling for rises below the inflation rate.

Yesterday it became clear that more than 28,000 clerical staff at the Midland Bank will accept a 3.5 per cent pay rise. Later this week Barclays Bank is expected to impose a 3 per cent rise.

Earlier this year Lloyds imposed a settlement of around 4 per cent, although it is slightly higher when calculated over a whole year, and the National Westminster around 2.5 per cent.

Only the Bank of Scotland has bucked this trend with an offer worth between 5 and 5.5 per cent.

Managerial pay, meanwhile, which also rose rapidly in the 1980's, is showing further signs of restraint. According to the latest survey by PE International management consultants, median salary rises for UK executives in the six months to April stood at 5.6 per cent.

This compares with median increases of 10 per cent over the same period last year.

Staff at the Royal Bank of Scotland are to vote on whether to hold a series of one day stoppages over a disputed pay offer of between 2.5 and 3.5 per cent for clerical grades. The ballot on industrial action will take place talks aimed at solving the dispute at Acas, the conciliation service, break down.

Employers and government ministers will be pleased to see that the 150,000-plus banking sector – where pay rises helped fuel white-collar pay inflation of the late 1980's – is now acting as a drag, rather than a push, on overall average earnings.

Bank pay rises have even fallen below first quarter settlements in the manufacturing sector which the Confederation of British Industry calculated at 4.3 per cent.

Pay analysts, however, expect the latest average earnings figures, for release by the Department of Employment on Thursday, to be holding up at about 7 per cent. The earnings index figures are inflated by overtime and other bonuses.

The index is also slow to reflect falling inflation and settlements because it takes into account all pay rises over the previous 12 months.

According to Mr Alistair Hatchett, of Incomes Data Services, the generosity of the banks and other employers in the City of London in the late 1980's caused big problems for many other employers of white-collar staff in the same sector of the labour market.

The latest settlements reflect depressed conditions in the financial services sector and some banks' provisions for bad debts. The rises are about half the level of last year.

Similarly restrained rises are being awarded at smaller banks, according to Bifu the banking union. The TSB yesterday offered its 17,000 non-managerial staff a 3.5 per cent rise, which Bifu is recommending they accept, and negotiators on both sides at Yorkshire Bank are to meet on Thursday to discuss a 3.3 per cent offer.

Judith Ward, jailed for life in 1974 for an Army coach bombing in which 12 people died, was freed on bail yesterday by the Court of Appeal pending the formal quashing of her convictions.

The Court ruled that confessions made by Miss Ward, 43, to the attack and two other bombings were unreliable because of her mental instability at the time and her conviction was therefore "unsafe and unsatisfactory".

Tories may rebel in Maastricht vote

By Alison Smith

MORE than a dozen Conservative MPs are prepared to vote against the government over legislation ratifying the Maastricht agreement in a move which could put the government's majority at risk, according to a group of anti-EC Tories.

The group of so-called Euro-sceptics claims the debate on the European Community has moved on since last December when only a handful of Tory MPs voted against the Maastricht deal. The government, they add, is more likely to come under pressure following its sharply reduced majority at the April 9 general election.

The MPs said that since their colleagues are not under the same pressure to be loyal as before the election, some MPs who abstained last December will vote against the government now.

The Euro-sceptics are discussing tactics and organising themselves in preparation for the first debate on the proposed legislation, which is due to come before the Commons later this month.

Until then, the Euro-sceptics will be trying to persuade colleagues who have expressed some concern about the summit agreement.

Leading campaigners are said to include Mr Michael Spicer, Mr James Cran and Mr Christopher Gill.

Though no-one has been excluded, the campaigners have little hope of persuading many of the new Tory MPs to join the rebellion.

One newly-elected Tory MP said that though he would probably end up voting for the government he would do so reluctantly and make his unease known to the party managers, known as whips.

The opposition Labour party has not yet agreed how it is likely to vote on the bill: one likely course is that the party would put down and vote for an amendment in favour of the European social chapter, from which the UK "opted out", but might abstain on the bill itself.

The Euro-sceptics emphasise that even though the government may get its majority on the bill, the future of Europe will continue to run as a controversial issue in the Commons throughout the parliament.

The Conservative MPs who voted against the Maastricht deal last December included Mr John Biffen, Mr Nicholas Budgen, Mr Richard Shepherd and Mr Bill Walker.

Exchange issues tight rules on share dealing

By Richard Waters

TIGHTER RULES on share dealings by directors of listed companies, and on dealings by their families and associates, were issued yesterday by the London Stock Exchange after the share-rigging scandal surrounding the late Mr Robert Maxwell.

Had they been in force before, the rules would have prevented Mr Maxwell and Goldman Sachs, the US investment bank, from agreeing an options deal which has subsequently been the subject of intense scrutiny by various regulatory bodies. The deal gave Goldman the right to sell 15.6m shares in Maxwell Communication Corporation (MCC) to Mr Maxwell at a pre-agreed price.

The exchange did not name Mr Maxwell or MCC, his main listed vehicle, when issuing the rules, but the changes are believed to have been provoked entirely by revelations about dealings in MCC shares and options on MCC shares between the summer of 1990 and Mr Maxwell's death last autumn. The rules will take effect from June 1.

Britain in brief

Accountants face action over BCCI

Price Waterhouse, the accountancy firm, faces the prospect of renewed legal attack for its role as auditor to the failed Bank of Credit and Commerce International (BCCI) following demands from plaintiffs in a US class action suit to re-try its case.

Milberg Weiss, the law firm bringing the suit against 77 defendants, is trying to overturn the April 30 decision by the US California central district court to dismiss its case against Price Waterhouse.

Milberg Weiss alleged there was a conflict of interest by two law clerks in the April hearing. It said they worked on the BCCI case after accepting employment from law firms representing key defendants in other BCCI actions.

The High Court in London, meanwhile, granted an adjournment to creditors of BCCI who decided to reject the proposed liquidation settlement negotiated with the Abu Dhabi majority shareholders.

Lloyd's Names to issue writs

Lloyd's of London, the international insurance market, is expected to face fresh legal action in the next few days from loss-making Names.

A new pressure group of Names, the individuals who underwrite the market, was formed last month which is chaired by the US lawyer, Mr Andrew Grossman. Called the Distressed Names LMX Spiral Action Group, it plans to issue writs against managing and members' agents at the insurance market before 15 May.

The group is seeking support from several thousand Lloyd's Names who face multi-million pound insurance losses as a result of their membership of syndicates which specialised in spiral reinsurance business – in which syndicates and London market companies reinsured each others' catastrophe exposures. Lex, Page 20

Consumer credit weakens

Demand for credit by consumers was weak in the first quarter, according to government figures released which did little to support theories about economic upturn prior to the general election.

According to the Central Statistical Office, consumers repaid a net £270m on credit agreements between January and March, the largest quarterly repayment since records began in 1975.

New vehicle sales fall

UK new commercial vehicle sales fell by 11.3 per cent in April with the continuing decline contrasting sharply with the marked improvement in new car registrations last month.

New commercial vehicle registrations fell to 17,220 in April compared with 19,406 in the corresponding month a year ago according to figures from the Society of Motor Manufacturers and Traders.

The fall in registrations in April was the the 31st successive monthly year-on-year decline. Sales in April were 48.7 per cent lower than in the same month three years ago.

US chip-maker expands plant

National Semiconductor, one of the leading US microchip makers, is to spend £49.5m on expanding its plant at Greenock in the west of Scotland, creating 250 new jobs over two years, and bringing employment at the plant to 1,500.

It is to create a facility for making analogue semiconductor wafers for National Semiconductor worldwide. They will be used in making products including computers, automotive fuel and engine control systems, in-car entertainment systems, adaptive breaking systems, telecommunications products and industrial automation.

Travel agents 'incompetent'

Many travel agents are "incompetent and lazy" and waste money by making basic errors and giving sloppy advice, according to a report from the Consumers' Association's Which? magazine released today. Which? claims that more than half its enquiries at 253 travel agents in 10 cities were handled badly with agents telling half-truths and quoting high fares.

Wales gets new investment

Mr David Hunt, the welsh secretary, announced that agreement had been reached for 10 new industrial projects in Wales involving investment of over £18m and expected to create over 460 new jobs.

Mr Hunt said that in the space of a week he had been able to announce 1,000 new jobs in areas of business ranging from automotive components to food processing.

Used car market stalls

An expected post-election strengthening of the UK used car market failed to materialise last month.

Statistics from HPI, the hire purchase monitoring group, show the number of finance agreements on used cars last month fell by 7.1 per cent, to 73,483, from 79,023 in March.

The drop throws into reverse a recovery for the first quarter as a whole, when credit financed sales of used cars rose by 9.25 per cent compared with the first quarter of last year.

Bets on Walker

Sir David Walker, chairman of the Securities and Investment Board, has been named by UK bookmakers as the likely choice to be next Governor of the Bank of England. Ladbrokes installed Sir David, who heads the City's main regulatory organisation, as the 6-4 favourite to replace Robin Leigh-Pemberton who steps down at the end of June next year.

Charles Arthur explains how advances in sporting equipment have changed the nature of the game

Moving the goal posts

Modern sports professionals rely more than ever before on sheer, unadulterated power as a winning strategy. The American golf player John Daly can hit a ball 340 yards off the tee; the German tennis star Michael Stich can hit a serve at 120 mph, past all but the best opponents.

For these two, and hundreds of other professionals in their chosen sports, the key to success is a mixture of athleticism and new equipment technologies – specifically, graphite-fibre golf shafts and large-headed tennis rackets made of composites of graphite and fibreglass. These have unlocked power that was unattainable just a decade ago.

But simultaneously they represent changes in the games. Daly and Stich came from nowhere last year to win one of their game's biggest events – Daly at the US PGA championship at Crooked Stick, Indiana last August, and Stich at Wimbledon last July.

But how much was skill, and how much the equipment? If the equipment alters the nature of the game, should rule-makers ban it? Or should they welcome the boost such advances offer amateurs, on whom the wider health of the game depends?

The administrators do not know the answers. So the rules of modern sports have become more like a weapon in a continual conflict with equipment manufacturers, rather than a regulator of contests between players. After all, is any tennis player likely to measure the width and length of an opponent's racket-head? Or a golfer expected to grab an opponent's irons and minutely examine the shape and spacing of the clubface grooves?

'Manufacturers, like players, are competing with each other. And competition leads to better equipment'

Hardly. But the rules specify them, sometimes to the millimetre.

Nor are tennis and golf alone in facing dilemmas caused by runaway technologies. Hardly any sport is untouched, from athletics, where new materials in some running tracks favour sprinters but penalise long-distance runners, to yachting, where competitors in the bi-annual Americas Cup competition now spend as much time puzzling over its rules, and wondering whether new boat designs (produced in wind tunnels and supercomputer modelling) break or bend them, as they do tacking and gybing.

"Equipment has had an effect on the game, but that's inevitable," says Andrew Coe, assistant product development manager at the tennis division of BTR subsidiary Dunlop-Slazenger. "It's just evolution." Bob Haines, the company's research and development manager, adds: "Manufacturers, like players, are competing with each other. And competition generally leads to better equipment, too."

That competition has created something close to an acute problem for men's professional tennis. Until the late 1970s, every professional used wooden rackets. Nowadays they all use graphite-fibre models which are lighter, larger and stronger. These are made by heating acrylic fibres to around 270 deg C, when they form graphite and carbon fibres – far stiffer and lighter than wood. These are then injection-moulded along with fibreglass in varying ratios to produce composite rackets.

Being stiffer than wood, these transfer more of their energy into the ball, which can be hit up to 30 per cent harder. Serves of over 100 mph are common. Though the rackets are two-thirds bigger than wooden ones, the extra size does not compensate for reduced reaction time. Thus the typical point in a men's match next month at Wimbledon will last less than three seconds, and consist of three strokes: serve, return and volley.

For spectators, such matches lack attraction. Thus the Association of Tennis Professionals (ATP), which runs the majority of the men's professional tournaments, and the International Tennis Federation (ITF), which lays down the rules for use worldwide, are worried. If the professional game becomes so boring that no one watches it, the ATP's members will have no income, instead of the £35m in prize money offered on the tournament circuit this year.

In March the ATP got together with the ITF and a number of player and manufacturer representatives to discuss what it calls the "power problem". Among the suggestions were changes to the size of the court, the rules, and enforced reductions on racket sizes.

Manufacturers oppose limits for two reasons. First, as Haines says: "Everything tends to get faster in sports; if you put an artificial control on anything, that makes the sport artificial." In other words, the sport does not explore the players' limits of ability.

Second, amateurs adore more powerful rackets; they, not professionals, led the move away from wood, which racket-makers followed happily because the new rackets yielded higher profits.

Yet manufacturers have lost out through that. Wooden rackets wore out and broke (within a few weeks when used professionally), but graphite often lasts for years. Total sales worldwide have dipped from a peak of £15m in 1981 to £11m in 1991. Racket-makers now have to rely on intensive marketing, finding ever more exotic substances to incorporate in their products: last year one offered materials also found in the Stealth bomber.

The problem for the ATP is that any changes it proposes should not affect the women's professional game – which is separately run and publicly delighted with the increased power the new rackets lend – and be relatively cheap to implement. Limits on the rackets are most unlikely. "It would be a curtailment of freedom," says Haines. It would also be likely to attract Restraint of Trade lawsuits from US manufacturers – if pros could not use them it would be hard to advertise them to the public.

An easier option would be to change the characteristics of the balls themselves: making them bigger or more "fluffy" would increase their air resistance, slowing them down. This could also provide a marketing boost for ball-makers.


John Daly (l) and Michael Stich: helped to victory by powerful equipment

Golf's rule-makers – the combined brains of the Royal & Ancient Golf Club in St Andrews, Scotland and the US Golf Association (USGA) in Far Hills, New Jersey – have more room for manoeuvre than those in tennis. But they are fighting on a variety of fronts: not just clubshafts, but also clubfaces and balls. And their undoubted power to set the rules has not kept them clear of the US legal system.

In the mid-1980s an American start-up company developed a ball called the Polara. The pattern of the ball's dimples (which help it fly further) effectively made a seam. Positioned correctly on the tee, it could be made to swerve, like a cricket ball, as required. The USGA promptly banned it by changing its rules; the Polara's makers sued. The USGA settled out of court for a seven-figure sum.

A potentially bigger case, due to come to court later this year, involves Karsten Manufacturing of Phoenix, Arizona, makers of the Ping range of clubs.

The grooves on its Ping Eye2 range of iron clubfaces had a U-shaped profile (instead of the usual V) and were also closer together than the norm. Professionals using these could put more backspin on the ball and stop it abruptly on landing.

The US Professional Golfers Association (PGA) decided this made them "too accurate". In 1989 it banned the clubs from use in PGA tournaments and proposed a rule banning U-shaped grooves – thus earning an injunction and a lawsuit from Karsten Manufacturing. The case finally comes to court sometime in the next six months.

Still the changes keep coming. Other manufacturers, including Yonex of Taiwan and Spalding of the US, have produced "wide-body" woods with heads 15 per cent larger and shafts 1.5 inches longer than normal. Novice golfers like them, feeling they are more forgiving of imperfect shots. For once, the rule-makers have not made any move.

The Royal & Ancient and the USGA know that in rule-making they tread a fine line between preserving the game and strangling the innovation that manufacturers rely on to keep marketing their wares. They also know that most of it is illusory. "The improvements from technology are exaggerated," believes Alastair Cochran, technical adviser to the Royal & Ancient. "In the US, the average handicap is the same as 15 years ago. I think peoples' views are coloured by what a couple of professionals do with their special shots. The biggest improvement in the past 20 years among the pros is the players, not the equipment."

Technically Speaking

Legal rights of the copycats

By Louise Kehoe

IT IS obvious to personal computer users that Microsoft's "Windows" program makes an IBM-compatible personal computer look like an Apple Macintosh.

Why then has a San Francisco judge gutted Apple's copyright suit against Microsoft by rejecting most of Apple's claims? More important, what impact will the ongoing legal battle between these two companies have on the rest of the information technology industry and on computer users?

In 1988, when Apple filed its copyright suit against Microsoft and Hewlett-Packard (which at the time was touting its NewWave program as an extension to Windows), industry critics charged that Apple's legal action might retard advances in computer software by limiting the use of graphical user interfaces (GUIs).

Implicit in such charges was the acknowledgment that Apple's Macintosh GUI with its "icons", pull-down menus and overlapping windows, represented a significant step forward in making personal computers easier to use.

Four years, three judges and 10m copies of Microsoft Windows later, Apple has been unable to persuade the courts that the overall "look and feel" of its Macintosh software can be protected by copyright.

Instead, the court decided to dissect the Macintosh images and consider whether each element of the computer screen displays represented "unique expression" that was copied by Microsoft, as well as whether that element was covered by a prior licensing agreement between the two companies.

Thus Apple finds itself arguing that the design of the "trash can" icon that represents the function of discarding unwanted data is somehow unique.

This analytical approach to considering copyright claims has been invented by the courts in an attempt to apply to computer software laws that were created to protect works of art and written materials.

The precedent was set recently by an appeals court in a little-known case involving a now defunct software company called Brown Bag, versus Symantec, best known for its anti-viral programs.

Following the analytical approach recommended by the appeals court, the San Francisco court surprised all parties in the Apple case by summarily rejecting most of Apple's claims.

For Microsoft, the rulings represented a big step towards a victory that will enable the company to continue its drive towards domination of the personal computer software market. Apple's case is in shreds and the company's lawyers are pouring over the pieces in search of some way to reconstruct their arguments.

For other software publishers, the way is now clear to produce programs that may share the overall appearance of existing products, thereby weakening the protection that copyright laws offer.

Publishers of the written word may also be given pause for thought. Following the approach adopted by the US courts, newspaper publishers, for example, would not be able to protect the design or layout of their pages which is the "signature" of a publication.

With programs expected to reach the market later this year that will make it possible to reproduce the typestyles and layout of any publication quickly and cheaply on a PC, can it be long before a newsletter, or magazine, or newspaper finds itself defending the "look and feel" of its publication against an imitator?

Microsoft may well prevail in defending Windows against Apple's copyright claim. In the short term, Apple's loss will be a victory for all of its competitors in the personal computer market because the reverse decision would have brought the industry to a grinding halt.

The longer-term implications of the court's rejection of the "look and feel" argument should, however, be of concern to all publishers of original works because computer technology will soon make exact reproduction of everything from artist's masterpieces to the front page of the Financial Times not only possible, but probable.

Crossing the Ts on going up-market

Charles Batchelor looks at moves towards higher quality

For most of its 150 years, the Churchill group has made fairly utilitarian tableware. But by the late 1980s, the cheaper end of the china business was becoming increasingly competitive.

"That part of the market was becoming more price sensitive and margins were under pressure," says Stephen Roper, managing director of the Stoke-on-Trent company, which expects 1992 turnover of £35m and employs 1,300 people.

The Churchill management, headed by Stephen Roper and his two brothers, sat down to analyse their problems. Their existing customers, mainly chain stores and mail order companies, wanted better design and more variation.

When the Churchill team looked more closely they found a gap in the market for standard 20-piece tableware sets between £19.95 and £34.95. They decided to pitch in with a set offering more up-market design features priced at £29.95.

After a slow start, the new Chartwell range became popular and is this year expected to reach sales of £6m out of domestic tableware sales of £25m. Roper calculates that the Chartwell range produces a 15 per cent return on sales compared with 5 per cent by its cheaper ranges.

The record of British industry for improving quality has not been good. Many companies have sought, unsuccessfully, to compete on price at the lower end of the market.

"Increasingly this is a high-wage, high-cost economy. Companies have to add value to survive," says Tony Morris, head of strategy and marketing at accountants Robson Rhodes. But moving up-market can impose considerable burdens on a business. "They often lack the appropriate technical and management skills," notes Morris. "They need to improve their quality and control systems. It often involves a change in management culture."

Brian Moore, managing director of Thrislington Sales, a manufacturer of toilet partitions, confirms the scale of the change which a company needs to undergo in its move up-market. Thrislington started out supplying cheap and cheerful cubicles to the building trade but now sells specially designed cubicles to architects. "We have gone from operating out of a small workshop to a business with its own product range made under licence around the world," says Moore.

The move up-market led to a doubling of the company's margins. It now employs 50 people and had turnover of £4m last year. It produces laminated panels and assembles the cubicles in a 40,000 sq ft factory near Chester.

The experiences of Churchill and Thrislington show that key elements in a company moving up-market are:

DESIGN

When Moore started making cubicles, his main selling point was the speed of delivery – lead times of competitors were typically 16 weeks. But the basic quality of the cubicles meant they did not appeal to architects specifying equipment for big construction projects.

Moore decided to call in a professional designer. He asked David Goodwin, managing director of his own product design consultancy, Goodwin Emck, to design a more up-market cubicle.

The new cubicle, launched in 1986, won a leading design award and has since gone on to take a quarter of the market for higher quality cubicles, says Moore.

Churchill, for its part, beefed up its in-house design department and introduced new features to its Chartwell range which gave customers the feel of added value. These included a move to four-colour from two-colour printing on its tableware, the introduction of a 10-sided plate design, fluting on cups and bowls and more informative packaging.

MARKETING

Churchill was forced to take a critical look at its markets and it made its first serious study of pricing and the sort of features which would appeal to its more mid-market customers. Even so, the launch of the Chartwell range was a nail-biting time. "Our trade customers didn't have to buy," says Stephen Roper. "They asked what Churchill was doing in the middle range when we had been at the low end of the market for 100 years."

Buyers were wooed by providing them with tableware which offered all the design features, and more, which they would have expected for the price, says Roper.

Wendy Morton and Stephen Roper: "We now do much more extensive market research"

Encouraged by the Chartwell launch, Churchill appointed its first full-time marketing manager, Wendy Morton. Previously a small group of senior people in the company had selected the tableware patterns they thought would sell. "We now do much more extensive market research," says Morton. "We also monitor trends in kitchen laminates, wall coverings and paints."

PRODUCTION

Moving up-market meant Churchill had to make a considerable investment in the four-colour printing equipment and in a dust press to ease manufacture of the 10-sided plates. Making a more complicated range slowed down production. Middle-range customers expect a greater choice of items such as coffee jugs and sauce boats which require skilled hand-casting compared with the more mechanised production of plates and cups.

For Thrislington, which had always bought in components for its cubicles, the impact on production was less marked. But a greater use of nylon and aluminium components pushed up tooling costs and meant new suppliers had to be found.

QUALITY

Moving up-market brought both companies into contact with more demanding customers and they have had to pay close attention to quality. But neither appears to have made a fundamental change in the way they monitored quality at the time of their moves up-market.

Only now are both starting to modify their procedures to conform to BS 5750, the most popular UK quality standard.

But going up-market is not a once-and-for-all process. Both Churchill and Thrislington are working on new products which will take them further in this direction. Churchill plans a new, slightly more expensive range.

Thrislington, meanwhile, plans to launch a new design intended to break into the market currently held by the one-off joiner-made cubicle.

Back to basics on Tecs

Will Britain's Training and Enterprise Councils (Tecs) succeed in injecting enterprise into local economies and boosting training by businesses? Not unless a range of problems which have emerged in their first two years are addressed, a study* by Warwick Business School suggests.

"Tecs have been given a job to reverse a century of training neglect in this country but have been left on their own with limited, contractually-tied resources to accomplish this task. This is a recipe for early loss of credibility and disillusionment," it concludes.

A survey of 18 of the first Tecs to be established revealed that they had made a serious study of their local labour markets to see what help was needed. But their proposals for action displayed a lack of proper analysis and a reliance on existing government schemes which they had been delegated to manage.

The study also queried whether the Tecs would be able to stick to their long-term plans in the light of this lack of analysis, the impact of the economic cycle and short-term government policy changes.

There was little evidence of how the Tecs would involve other local organisations in their plans to achieve a truly comprehensive approach. Few of their strategic plans distinguished between services the Tecs themselves would provide and those which they would merely co-ordinate.

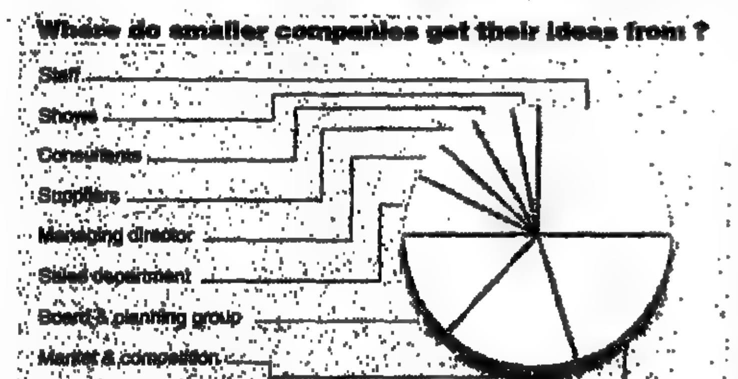
The study also queried whether the Tecs would be able to persuade companies to spend their own money on training. Ninety per cent of Tec funding relates to existing government training programmes.

There is a danger that the strategic planning objectives of the Tecs will be overshadowed with a preoccupation with the delivery of existing government programmes.

CB

*Warwick Business School, University of Warwick, Coventry CV4 7AL.

Where do smaller companies get their ideas from ?



Source: Insight Readers Survey – Innovation March 1992

Why innovation can become a risky business

Many owner-managed businesses take unnecessary risks with innovation and new product development because they do not plan ahead, according to a survey* by accountants Touche Ross, writes Charles Batchelor.

Only half attempted to assess the commercial feasibility of a new product before launching it while 60 per cent did not know how much they spent on innovation. Nearly half did not attempt to protect the rights of their products.

Nearly half of the companies had a formalised new product development programme although only 15 per cent had an research and development department.

Ideas tended to be generated by management and staff with nearly half of all ideas coming from internal sources.

In spite of this reliance on in-house creativity, only 15 per cent of companies offered incentives to staff for successful ideas and fewer than one-in-12 had a suggestion box or a formal suggestion scheme.

Only 16 per cent of companies picked up ideas from competitors or in the market place, despite the fact that "me too" products can be cheaper and less risky to introduce than completely new products.

Three-quarters of respondents held group discussions to identify potential winners but this made it easy for a director or senior manager to push a favourite idea in the absence of any quantifiable market knowledge.

Only one-third made use of market research.

About 86 per cent of funding for innovation and product development came from internal resources, representing a substantial risk for the business.

Sixty per cent of respondents were unable to quantify their spending in this area while nearly half did not protect their innovations.

*Contact Steve Blundell, Touche Ross, Hill House, 1 Little New Street, London EC4A 3TR.

BUSINESS WANTED

WANTED:

Hotel 35-150 rooms

Preferably suites
Buildings for possible conversion also of interest, provided right of use is favourable.
Mayfair, Chelsea, Knightsbridge, and Kensington only.
All cash buyer.

Direct fax: 071-402 1914

Write to Box H6821, Financial Times, One Southwark Bridge, London SE1 9HL

WANTED

A London Commercial Property Consultancy with an established client base seeks opportunities for merger or purchase of an existing profitable Commercial Property Management Company.

Principles only write to Box No. H6837, Financial Times, One Southwark Bridge, London SE1 9HL

Succesful privately owned PUBLIC HOUSE Company, seeking to expand, is interested in acquiring multiple unit operators (minimum 5 houses) or is willing to provide finance/management in return for a substantial shareholding in a potentially profitable existing operation.

Please write in confidence to:
The Chairman, C.M. Group Limited
Low Hall, Hackness, North Yorkshire YO13 0JN

CMg

HEALTH, BEAUTY, COSMETICS

We are looking to acquire manufacturing, retail or distribution companies offering products in the above category.

Please reply in strict confidence to: Box No: H6833 Financial Times, One Southwark Bridge London SE1 9HL

WANTED – NORTH WEST MANUFACTURING/ ENGINEERING BUSINESS

- Turnover £1 M +
- Export Potential Welcome
- Strong Customer Base preferred
- M.B.O. Situations considered

Please reply in confidence to: R. Morgan, 5 Cecil Road, Hale, Altrincham, Cheshire WA15 9NT

WANTED

Small quoted company in the leisure/catering sector seeks to acquire a profitable group – size £1-5 million.

Reply: Ref B.R., 17/18 Henrietta Street, London WC2

Broadly-based, financially strong PLC seeks opportunities for acquisition or joint venture with private companies with interests in the printing of wet glue and self adhesive labels for the food, beverage and pharmaceutical industries.

Please reply in confidence to Box No H6847, Financial Times, One Southwark Bridge, London SE1 9HL

ENVIRONMENTAL GROUP SEEKS ENGINEERING CO'S

International Environmental Services Group seeks to invest in or acquire under-capitalised engineering companies and process contractors with potential.

Please write, in confidence, to Box H6843, Financial Times, One Southwark Bridge, London SE1 9HL

COMPANY DOCTOR WISHES TO PURCHASE

Company(s) engaged in Direct Marketing / Mail
Contact by Fax
0904-608-256.

TRAINING AND RECRUITMENT

The Training and Business Group Limited is looking to acquire training or recruitment businesses in the U.K. Turnover £200,000 to £3 million considered. Please write in confidence to N.G. Thorogood, 145 Charles Street, Birmingham B3 3JR

CLIENT WISHES TO PURCHASE solvent/in-solvent manufacturing company. T/O circa £1 million Tel: 081 9462374

EXPANDING FORWARDING AGENT based in Essex, has immediate funds available for acquisition of forwarding or transport company. Write Box H6860, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESS SERVICES

BUSINESSMAN AGE 46,

In practice as accountant until late 80s. Then Director of plc and various other businesses in leisure sector. Recently sold out. Has available time to spend one day per month with young, growing companies in London & S.E., as non-executive director.

Write to Box H6828, Financial Times, One Southwark Bridge, London SE1 9HL.

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Geneva based office promoting business relations between international companies and the CIS (ex Soviet Union). Swiss management offering negotiations in fluent Russian, English, German, Italian and French. Top experience in Mergers, Acquisitions and Joint Ventures.

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HARLEY STREET BUSINESS Centre. Fully serviced offices, business address, boardroom, all secretarial services plus free telephone and message taking. For details Phone 071 637 5505.

BUSINESS AND ASSETS Of solvent and insolvent companies, for sale.Business and AssetsTel 071 262 1164 (Mon - Fri)

Your Offshore Office Mervyn Secretarial Services Ltd, Isle of Man Tel: (0624) 673411 Fax. 676665.

YOUR OFFICE IN LONDON From Top a day. Accom/Tel Ans/Tlx/Fax/Mail Box etc Office Gen.Tel. 071 436 0766 Fax 071 580 3729

GROSVENOR ST. Mayfair-lux serviced offices. From £55pw. Short/long let. Tel: 071-493 7830.

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MASSIVE CLEARANCE OF OFFICE FURNITURE

Workstations inc. seating & storage (steelcase + Herman Miller)
Light oak desks + chairs
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All Less Than 18 Months Old

MUST BE CLEARED
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An advanced Course in Organisation Development and Consultancy

Comprising eight modules over a period of two years commencing in December 1992. The Bath Programme is recognised by the University of Leicester for the purposes of an Advanced Degree.

For Details Contact:
BATH ASSOCIATES
6 Vane Street, Bath, BA2 4DZ
Tel: Bath (0225) 462835

BUSINESSES FOR SALE

Touche Ross

CORPORATE SPECIAL SERVICES

Our Corporate Special Services Department has a network of offices throughout the UK, offering guidance on corporate care to companies in distress, as well as comprehensive services to creditors and bankers. Contact any of the people at our main offices listed below to find out how they can help you.

London	**Roger Powdrill**	071 936 3000
Belfast	**Arthur Boyd**	0232 322861
Birmingham	**Andy Peters**	021 631 2288
Bracknell	**Roger Smaridge**	0344 54445
Bristol	**David Bird**	0272 211622
Cambridge	**Richard Summerfield**	0223 460222
Cardiff	**Robert Ellis**	0222 481111
Glasgow	**Robin Wilson**	041 204 2800
Leeds	**Ralph Preece**	0532 439021
Leicester	**Nick Dargan**	0533 543598
Liverpool	**Peter Bendall**	051 236 0941
Manchester	**Ken Chalk**	061 228 3456
Newcastle	**Len Gatoff**	091 261 4111
Nottingham	**Lindsay Denney**	0602 500511
Southampton	**Harold Wilks**	0703 334124

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales and by the Institute of Chartered Accountants in Ireland in Northern Ireland to carry on Investment Business.

WEST GERMANY

leading manufacturer and distributor of soaps, detergents and cosmetics turnover £100m plus, profitable for sale, asking price £20m negotiable

please contact for memorandum:
ALEXANDER CONSULTING Ltd.
London
tel: +44 71 266 4519
fax: +44 71 286 5858

FOR SALE

Engineering company to dispose of subsidiary who produce high quality safety equipment for the marine market.
Good order book, existing freehold premises are available to purchase or could be relocated.
Details apply fax 021 778 2407

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BECAUSE YOU ONLY SELL YOUR BUSINESS ONCE.

And you want the right buyer. With confidential briefs from hundreds of acquisitive public company chairmen who are looking to buy successful, private companies worth £500,000 to £25 million, we ought to be able to help.

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The first name in merger broking.

Chesham House, 2 Bentinck Street, London W1M 6JX.
Telephone: 071-935 2748

Coopers & Lybrand Deloitte, Corporate Finance, has been engaged to complete the sale of the following well-known, established subsidiaries of The Ward Group Plc.

The Ward Group Plc

Ward Building Systems Limited,
Sherburn, North Yorkshire
Ward Systemes de Construction SARL,
Paris, France
Ward Bausysteme GmbH,
near Dusseldorf, Germany

Designers, manufacturers and erectors of constructional steelwork, a range of pre-engineered building components and "Atlas" building systems.

- Projected 1992 sales in excess of £70 million
- Freehold land and buildings on a 46 acre site in Sherburn, with a modern factory and offices extending to 680,000 sq ft
- Six trading companies with operations covering the UK, France and Germany
- Key player in respective markets
- Product portfolio includes patented "Multibeam" system
- Over 700 employees

Multicom SA
Colmar, near Strasbourg, France

Designer and manufacturer of purlins, rail systems and other profiles, bespoke steel structures and pressed metal products.

- Projected 1992 sales in excess of £15 million
- Market leader in the French cold rolled purlin market
- Freehold site of 2.4 hectares including 12,000 sq mtrs of buildings and 14,000 sq mtrs of undeveloped land
- Major recent investment in plant
- Approximately 150 employees

Abbseal Limited
Leeds, West Yorkshire and Peterborough, Cambridgeshire

Manufacturer of sealed double-glazed units and toughened glass products.

- Projected 1992 sales in excess of £10 million
- Three modern leasehold facilities equipped with both automated and manual processing equipment
- Scope for volume expansion without further capital expenditure
- Good record of customer service with a competitive edge on delivery times
- Approximately 200 employees

Piermattei Lavorazione Metalli Spa
Rome, Italy

Designer, manufacturer and assembler of curtain walling systems, windows and decorative metalwork.

- Projected 1992 sales in excess of £8 million
- Projected 1992 operating profit of approximately £0.2 million
- Major supplier of curtain walling in the Italian market
- Anticipated move to new leasehold premises in summer 1992
- Approximately 70 employees

For further information please write to:

Jonathon Wackett, Coopers & Lybrand Deloitte, 5 Albion Place, LEEDS LS1 6JP quoting reference JRW/AR/SMH303
Fax: (0532) 438260 Tel: (0532) 431343 (If telephoning please ask for the Ward Information Desk). Enquirers will be asked to specify the business(es) about which they wish to receive particulars.

Coopers & Lybrand Deloitte — Solutions for Business

Coopers & Lybrand Deloitte is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

ALDERSHAW GOLF CLUB

EDWIN KIRKER FCA AND STEWART BAIRD CA
the Administrative Receivers offer for sale
the business and assets of
BAHAR LEISURE LIMITED

- Situated near Hastings, East Sussex
- Premier brand new 18 hole golf course
- Floodlit 24 bay driving range
- Existing clubhouse
- Planning permission for new clubhouse and leisure facilities
- Direct access A21

For details, please contact:
Edwin Kirker or Caroline Stark
Pannell Kerr Forster
New Garden House
78 Hatton Garden
London EC1N 8JA
Tel: 071 831 7393
Fax: 071 404 8109

PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS

Titan Mechanical Handling Limited
(In Receivership)

Stockport, Cheshire

- Manufacture of pedestrian controlled fork lift trucks and materials handling equipment
- Contract servicing and truck hire
- Annual turnover in excess of £500,000
- Long leasehold property (11,700 sq ft)

For fuller details please contact the Joint Administrative Receivers:
Allan Griffiths and Malcolm Shierson, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD.
Tel: 061 834 5414
Fax: 061 832 6042

Grant Thornton

The U.K. member firm of Grant Thornton International.
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Torchcross Environmental Limited

The Joint Administrative Receivers offer for sale the business and assets of the above company:

- *Suppliers of air filtration and monitoring equipment to the asbestos and nuclear industries*
- *Single storey freehold premises of 8,500 sq ft at Morley, Leeds*
- *Turnover in the year ended 31 May 1991 £870,000*
- *Prestigious customer base*

For further details, contact Mark T Dobell FCA. Ernst & Young, Barclays House, 6 East Parade, Leeds LS1 1HA.
Telephone: 0532 431221. Fax: 0532 442241.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

For Sale

Clan Douglas Knitwear Limited
(In Receivership)

The business and assets include the following features:
- Established markets with full Order Book
- £3m turnover
- *Freehold property in the Scottish Borders*
- Modern knitwear machines and design technology
- Skilled and experienced workforce

Apply for sale particulars to David K Hunter, Stoy Hayward, 144 West George Street, Glasgow G2 2HG. Tel: 041-331 2811.

STOY HAYWARD
Chartered Accountants
A member of Horwath International

Authorised by the Institute of Chartered Accountants of Scotland to carry on investment business.

By Order Of The Joint Administrative Receivers R.C. Boys-Stones ACA and A.J. Barrett FCA of Price Waterhouse Re: Baron Hotels and Leisure Limited

Queens Hotel
Crystal Palace
London SE19

Excellently located for the South Circular, M25 motorway, Croydon and internationally famous Crystal Palace Park and Sports Ground.
149 letting bedrooms. Restaurant. Bars. Conference and Function Rooms for 10-600.
Planning consent for further bedrooms, leisure centre and restaurant.
Approximately 1.87 acres of ground
OFFERS INVITED FOR THE FREEHOLD AND CONTENTS IN THE REGION OF £3.25 million

Savoy Hotel
Cheltenham
Gloucestershire

Well located on the fringe of the town centre and an ideal base for the businessman and tourist visiting the Cotswolds.
53 letting bedrooms. Restaurant. Bars. Conference and Function Rooms for 25-120.
Potential for development, subject to planning consent.
Approximately 1.1 acres of ground
OFFERS INVITED FOR THE FREEHOLD AND CONTENTS IN THE REGION OF £1 million

YORK MONTAGUE — 071 437 6060

Knight Frank & Rutley International — 071 629 8171

For Sale - Joinery Company

Complete Joinery Works with additonal planning consents in grant assisted area close to the port of Falmouth, Cornwall. Modern 12K sq.ft. Factory & plant - £1m Turnover - Detailed consent for further 20K sq.ft.
Details from: Alan Slater.
Tel: (0872) 863256. Fax: (0326) 377066.

An excellent opportunity to purchase a still highly successful

ESTATE AGENCY

A very old established business with a really good reputation, latest ownership ten years. Exceptionally lucrative even through the recession, net profit reaching half a million pounds. Superbly equipped offices, freehold property, ample parking.
Price on application.

Genuine enquires only. Write to Box H6844, Financial Times, One Southwark Bridge, London SE1 9HL.

PRIVATELY OWNED

small/medium Cabinet manufacturing company based in the Midlands in very modern premises. T/O £3m + increasing and profitable. Offers invited for outright purchase. Major shareholders moving abroad.

Write to Box H6842, Financial Times, One Southwark, Bridge, London SE1 9HL.

Specialist Marine Plant Sales and Hire

Long established and respected company based in the North of England: Annual turnover approx £700,000 yielding substantial profits.

Large customer base (over 10,000) both national and international.

Replies from principals only to:
Box No. H6846, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESSES FOR SALE

DENLEY COURT HOTELS LIMITED

Kilhey Court Hotel & Country House
Shaw Hill Golf & Country Club

The Joint Administrative Receivers offer for sale the business and assets of this hotel and leisure company.

Kilhey Court

Set in approximately 10 acres of landscaped grounds near Wigan, Lancashire, this hotel is considered to be the most prestigious in the area.

Principal features of the business include:

- turnover c.£2 million
- 53 bedroomed hotel
- restaurants, bars and function suites
- leisure club
- night club and café bar.

Shaw Hill

A refurbished Georgian house set in approximately 110 acres near Chorley, Lancashire

Principal features of the business include:

- turnover c. £1.1 million
- 22 bedrooms
- restaurants, bars and function suites
- 18 hole championship golf course
- changing rooms.

For further information and sales particulars please contact the Joint Administrative Receiver, Edward Klempka at Cork Gully, Albion Court, 5 Albion Place, Leeds, West Yorkshire LS1 6JP. Telephone: 0532 457332. Fax: 0532 434567 or Stephen Penn at the Company's premises on 0257 472100.

Cork Gully

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WELL ESTABLISHED SCOTTISH BASED MANUFACTURING COMPANY

Specialising in electric heating products. Solid market base with good growth potential. Non debt financed. Directors wish to retire.

Write to Box H6809, Financial Times, One Southwark Bridge, London SE1 9HL.

MULTI DISCIPLINED ENGINEERING SERVICES COMPANY FOR SALE

Substantial order book
Annual turnover £3M
Net assets £200K
Profits 8% before tax

For further details write to box H6832 Financial Times. One Southwark Bridge London SE1 9HL.

RECRUITMENT CONSULTANCY

Established specialists supplying high calibre permanent executive/computing personnel. Location Midlands. Ideally situated for expansion opportunities. Nett profit 1991 £120,000.

Write to Box H6834, Financial Times, One Southwark Bridge, London SE1 9HL.

Prestigious hotel, business and conference venue

Sheraton Voyager Antalya Hotel

The sale of the Sheraton Voyager Antalya Hotel represents a unique investment opportunity.

This 5-star hotel has been built to the highest specifications and is situated in the prime growth region of Turkey's Mediterranean coast. Managed by ITT Sheraton, the 409 bedroom hotel incorporates extensive conference and recreational facilities.

Its location and access to international air services has allowed it to take advantage of the expanding Turkish tourist and business markets.

A detailed information memorandum may be requested by contacting

Paul Wessels/Ian Connor
Coopers & Lybrand Deloitte
Plumtree Court
London EC4A 4HT
Telephone 071 212 1119
Fax 071 212 1332
Telex: 884730

Coopers & Lybrand — Solutions for Business

The UK firm of Coopers & Lybrand Deloitte is a member firm of Coopers & Lybrand (International). Coopers & Lybrand Deloitte is authorised by the Institute of Chartered Accountants in England & Wales to carry on investment business.

J C Graham Limited and Northern Exhibition Centre Limited
(In Receivership)
Newcastle upon Tyne

The trade of the above companies comprises the supply and installation of fitted kitchens and bedroom furniture. The premises are situated some 2 miles from Newcastle upon Tyne City Centre, near to the Metro Centre Shopping Precinct and the A1 Western bypass.

- Turnover in the region of £1m
- Long leasehold property occupying a large site
- Stocks of kitchen components and bedroom fitments
- Some 50 display kitchen and bedroom fitments
- Sundry plant and equipment
- There is also available a freehold investment property at Carlisle

For further information contact the Joint Administrative Receiver: Ian Turner, Grant Thornton, Higham House, Higham Place, Newcastle upon Tyne NE1 8EE.
Tel: 091-261 2631 Fax: 091-232 6903

Grant Thornton

The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

FOR SALE

Midlands based air conditioning service and maintenance company.
Turnover £1 million.
Gross Profit £500K.
300 maintenance contracts in the Midlands, the South & The North.
12 Engineers employed.
Write to Box H6823, Financial Times, One Southwark Bridge. London SE1 9HL.

BRISTOL FOR SALE

Successful Business Centre
Housed in period offices for sale
As going concern
Net Profit £97,000
Price £650,000 including freehold
Write to Box H6848, Financial Times, One Southwark Bridge, London SE1 9HL.

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Well capitalised and profitable company, London based. Importing and distributing housewares products turnover c. £1 million. Would consider buying or merging with similar company to create a more interesting business.

Write to Box H6835, Financial Times, One Southwark Bridge, London SE1 9HL.

Quality Residential Property Developer

The Joint Administrative Receivers, WJH Elles and SJL Adamson, offer for sale the business and assets of Alath Construction Limited, long established quality builders and contractors. Principal assets include:

- *Five residential development sites in various stages of completion in Hertfordshire and Buckinghamshire*
- *1½ acre greenfield residential site in Hertfordshire*
- *Luxury detached home (5 bedrooms, 3 bathrooms) set in an acre of walled garden*

For further details, contact Jason Elles, Ernst & Young, Apex Plaza, Reading, Berkshire RG1 1YE. Telephone: 0734 500611. Fax: 0734 507744

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FOR SALE – CHEMICAL BUSINESS

Huddersfield, West Yorks. Easy Access M1 and M62.

Single storey factory 6,600 sq.ft. Oil fired boiler, large s.s. mixing tanks, electric mixers, overhead crane, forklift truck, laboratory, fax and office furnishings.

For details tel. evenings 0924 848441

Children's Day Care Nursery

Representing an outstanding freehold investment in Hove (inc. residential accomodation) combined with substantial profitability.

For details apply to:

ECJ Stoneman & Co
5 Crest Road
South Croydon
Surrey CR2 7JR

FOR SALE

Specialist woodturning and machining company. Peak turnover £360K. Established 27 years. Fully equipped leasehold factory unit. East Midlands.

Principals only apply in confidence to Box H6830, Financial Times, One Southwark Bridge, London SE1 9HL.

Squash Club

The Joint Administrative Receivers, WJH Elles and SJL Adamson, offer for sale on a going concern basis, a Squash and Leisure Club. Principal assets include:

- *Freehold premises located on high tech industrial estate in Hemel Hempstead, Hertfordshire*
- *Over 300 full members, including corporate schemes*
- *12 full size squash courts*
- *Licensed bar*
- *Adjacent freehold 3 bedroomed manager's house also available*

For further details, contact Jason Elles, Ernst & Young, Apex Plaza, Reading, Berkshire RG11 1YE. Tel: 0734 500611. Fax: 0734 507744.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Zephyr Cams Limited

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale as a going concern, the business and assets of the above company, which is one of the country's leading manufacturers of camshafts, as follows:

- Well known and respected company and product name, with established customer base for both Original Equipment and Aftermarket sales.
- CAMTEC trade name.
- Skilled workforce of about 120 operators and administrative staff.
- Extensive range of machine tools including modern CNC facilities.
- Annual turnover around £4 million.
- Approximately 58,000 sq. ft. long leasehold factory and office facilities in prominent location South of Lowestoft.

For further information please contact:
The Joint Administrative Receiver Mark Batten, Price Waterhouse, No. 1 London Bridge, London SE1 9QL
Tel: 071-939 3000. Fax: 071-939 4173.

Price Waterhouse

Smith & Williamson

Corporate Recovery · Litigation Support · Corporate Finance · Taxation · Banking · Investigations · Investment Management · Pensions & Life Assurance · Accounting · Auditing

The Joint Administrators offer for sale the businesses and assets of the following companies:

PALACE VIDEO LIMITED
PALACE MUSIC
CHANNEL LIMITED
PALACE GROUP OF COMPANIES LIMITED

Situated at sites in London W1, the businesses comprise of

- ★ Leading independent UK Film Distributor.
- ★ Extensive video and theatrical catalogue.
- ★ Complete television production suite.
- ★ Highly experienced personnel.

For details, contact Iain Allan or Anthony Murphy on 071-637 5377 at the offices of Smith & Williamson, No.1 Riding House Street, London W1A 3AS. Fax: 071-323 5683.

Smith & Williamson Chartered Accountants. Registered to carry on audit work and authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales

Smith & Williamson Securities. Authorised institution under Banking Act 1987. Member of IMRO. Member of the British Merchant Banking and Securities Houses Association

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ENVIRONMENTAL CONTRACTOR

An opportunity has arisen to buy one of the largest environmental landscaping businesses in the U.K. This well established business has excellent management and is well placed to benefit from the growing concern for environmental issues. Principal features include:

Annual turnover £8.5m
Excellent customer base
National coverage
Extensive freehold and long leasehold premises

For further information write to Box H6831, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE
WELL ESTABLISHED PAINT/BODYSHOP BUSINESS MANCHESTER AREA

- ★ Approved by leading manufacturers/insurance companies
- ★ Recently modernised facilities
- ★ Substantial long leasehold premises close to City Centre
- ★ Skilled and experienced workforce
- ★ Price guide £850,000

Principals only apply to Box no. H6849
The Financial Times
One Southwark Bridge
London
SE1 9H

AIRSHIP MANUFACTURING BUSINESS

An established manufacturing company wishing to concentrate on its core business, is willing to consider offers for the purchase of its Helium Airship manufacturing division.

The division comprises:

- Airship fully CAA certified (FAA approval pending) in the Aerial Work Category
- Inventory of new and used airships
- Complete assistance during transfer of ownership
- Industry leader offering only certified 2 seat airship worldwide
- Sales branch established in US
- Aerodrome lease and hanger available
- Worldwide sales and marketing opportunities in corporate promotions and advertising business.

Offers in the region of £2.7M

For more information contact: Mr M Gillespie
Thunder & Colt Ltd
Maesbury Road, Oswestry
Shropshire SY10 8HA
Telephone: 0691 670644
Fax: 0691 670617

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Please fax to: The Chairman, Crown Corporation Ltd. United Kingdom Fax No. +44-628-663376

On the Instructions of the Joint Administrative Receivers N.G. Atkinson Esq & N.R. Lyle Esq of Touche Ross & Co

LIBERTY TAVERNS LTD
(In Administrative Receivership)

THE WORLDS END
Camden Town, NW1

Offers have been received for the above, accordingly we hereby give notice that full and final offers must be submitted to either of the Joint Agents' London Offices by 12 o'clock midday on Friday 29 May, 1992.

Offers must be in writing, accompanied by proof of funding.

Contact:

Chesterton — Robert Agestribbe on 071-262 1272

CHRISTIE & Co — Ken Sims on 071-486 4231

Well established wholesale and retail fruit and vegetable business available for sale

- Turnover £3,000,000-£3,500,000 p.a.
- Blue chip customers.
- Home Counties based.
- Leases available include warehouse and offices 6,029 sq.ft., retail units 1,100 sq.ft. and 630 sq.ft.
- Reputation for high quality produce.
- Operating at BS 5750 standard.

Would consider selling retail or wholesale business separately.

Please contact Lynn Gibson of Gibson Hewitt & Co.
Tel: 0932 336149
Fax: 0932 336150

GIBSON HEWITT & CO

Chartered Accountants 5 Park Court, Pyrford Road, West Byfleet, Surrey, KT14 6SD.

FRANCHISING

MASTER FRANCHISE RIGHTS NOW AVAILABLE

One of America's most progressive drain, sewer and pipework cleaning and maintenance service franchises, serving domestic and industrial requirements, seeks applications from individuals and organisations to own and operate this dynamic and highly profitable service business.

All franchisees operate from mobile vehicles. Master Franchise Package includes Innovative Sales Marketing and Technical Training that will ensure early success for franchisees and the master franchisee.

Total capital requirement for master franchisee establishment circa £350,000.

All applications to: Michael Sellers, Franchise Development Services Limited, Castle House, Castle Meadow, Norwich, NR2 1PJ.
Tel: 0603 620301. Fax: 0606 630174
Individuals and organisations interested in owning and operating other Master Franchise rights are invited to register with us.

"TRENCHING MACHINES" ACQUISITION/JOINT VENTURE OPPORTUNITY

A UK based company that designs, manufactures and distributes a wide range of "award winning" Trenching Machines.

A leading player in this "niche sector" with a product range that has world wide potential.

• Turnover around £1.2 mill.; • Nett assets around: £500,000; • Profitable; • Est. 30 years; • Well managed; • No financial problems; • Retirement Sale.

FOR FURTHER DETAILS WRITE TO:

Box H6829, Financial times, One Southwark Bridge, London SE1 9HL.

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Sales ledger down, overheads rising and competition increasing. Profitability and cashflow a thing of the past – the business becoming an asset of ever diminishing value. Selling is now the only option.

Wrong! We can show you the way to restore the true potential of your business. Call now for FREE literature, or confidential consultation.

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Franklin, Williams & Foy Limited
37 Queen Anne Street, London W1M 9FA
Tel: 071-224 8480 (16 lines). Fax: 071-935 2780

This advertisement has been approved by a firm authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

WAREHOUSING & DISTRIBUTION BUSINESS FOR SALE YORKSHIRE TURNOVER £2.5 MILLION

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THE WEEK IN LUXEMBOURG

British estate agents: a place in the Spanish sun

EUROPEAN COURT

European Community countries must recognise the professional qualifications of estate agents from other member states if they are "equivalent" to those of their own profession, the European Court of Justice (ECJ) in Luxembourg ruled last week.

In an important judgment providing useful guidelines for members of other regulated professions and businesses wanting to set up in other member states, the ECJ said in the absence of any EC directive on the mutual recognition of qualifications, EEC treaty rules on establishment required Community countries to determine whether qualifications obtained by an estate agent in one member state were equivalent to those required in the host country.

Failure to take account of estate agents' qualifications, when they applied to establish in another EC state, would infringe their treaty rights, the Court said.

If qualifications are equivalent, estate agents must be recognised as such in the host country. If not, they may only be requested to prove that they have those qualifications required by the host country which are additional to those already obtained in their own country.

The case concerned the prosecution by the official Spanish Estate Agents Association of an estate agency run by a British estate agent in Spain.

Mr Stephen Newman, a qualified British estate agent and member of the Royal Institution of Chartered Surveyors, had applied in 1989 for admission to the association but had not received an official response. He was charged, together with Spanish colleagues, with breaches of the Spanish rules governing estate agents.

Colegio Oficial de Agentes de la Propieda Inmobiliria v Aguire Borrell and Newman, Case C-104/91, ECJ 6CH, 7 May 1992.

Turnover charges and value added tax

A claim by an Italian lawyer for repayment of a supplementary charge paid by him on the basis of his annual fee income to the Italian lawyers' national pension body on the grounds that it amounted to a tax on turnover precluded by the EC's Sixth value added tax directive, was rejected by the ECJ.

The Court ruled that the sixth vat directive permits taxes, duties and charges other than vat if they do not have the characteristics of a turnover tax.

The Italian supplementary charge lacked three essential features of a turnover tax: it was not a general tax; it was not always calculated purely as a proportion of professional fees; and it was charged only at one stage of the provision of services, when the client was invoiced, rather than on value added.

The case has wider significance for other business sectors subject to taxes which might be challenged as incompatible with the sixth vat directive.

Bozzi v Cassa Nazionale di Previdenza ed Assistenza a favore degli avvocata e dei "procuratori legali", Case C-347/90, ECJ, 6CH, 7 May 1992.

The Court also offered further clarification on the operation of the EC sixth vat directive's rule requiring any private benefit from a business to be subject to vat.

In the case of a Dutch builder who purchased land for his own private use and then built himself a house on the land as part of his business activity, the court said only the value of the house and not the land was subject to vat.

This interpretation was consistent with the purpose of the rule being to remove any inequality of treatment. An ordinary consumer who paid a third party to build a house on his land would pay vat only on the price paid for the house and not the land.

De Jong v Staatssecretaris van Financien, Case C-20/91, 3CH 6 May 1992.

UK licences allowed to discriminate against UK fishermen

The ECJ ruled in the context of EC fishing regulations that Community states are not precluded from imposing conditions in fishing licences granted to their own fishermen which do not apply to fishermen from other Community countries.

In a case involving a breach of the British licence conditions by the masters of two British fishing vessels, the Court confirmed that the prohibition in the Rome treaty against discrimination on grounds of nationality does not apply where a member state chooses to discriminate against its own nationals, even if it puts them at a commercial disadvantage.

EC law is not concerned with disparities of treatment or distortions arising from measures applied by one Community state which are stricter than those applied in the same sphere by others.

The question arose in criminal proceedings brought against the two masters by the Procurator Fiscal at Elgin for failing to report by radio their intention to cross from one controlled fishing area to another. No similar obligation applies to vessels flagged and registered in other EC states.

The Court added that the UK's failure to notify such a national control measure to the European Commission in Brussels and to other Community countries did not affect its validity as the notification was required for information purposes only.

Procurator Fiscal, Elgin v Wood and Cowie, Joined Cases C-251/90 and C-252/90, ECJ 6CH 7 May 1992.

Other decisions

In other decisions the Court rejected direct actions brought by two Spanish fishing companies. They were claiming the annulment of, and damages caused by, Commission decisions refusing to approve the award of incentive payments for fishing trials in the south-west Atlantic under the EC rules dealing with improvement and adaptation of fishing structures.

In areas where the Commission had a broad discretion, the applicants' legitimate expectations were not infringed as it was predictable that the Commission would at some point decide that there was no longer any need for fishing trials in a particular zone.

Pesquerias and Naviera v Commission, Joined Cases C-258/90 and C-259/90, ECJ 2CH 7 May 1992.

Brick Court Chambers, Brussels

FT Commercial Law Reports

Following the introduction of the European Court column, FT Commercial Law Reports will now appear on Wednesdays, Thursdays and Fridays.

PEOPLE

IBM's Robinson moves to DTI

Executives of IBM's UK subsidiary are well known for keeping in close contact with senior civil servants in Whitehall. The latest example of the link is Geoffrey Robinson's appointment as the chief adviser on science and technology in the Department of Trade and Industry for a period of five years from June.

He will succeed Ron Coleman who retired at the end of March.

Geoff Robinson, 46, is director of IBM's Hursley laboratory in Hampshire, the group's main UK research and development centre. He is responsible for 2,000 people working mainly on computer software projects.

Robinson is the lab's second director to become a senior government scientist. A predecessor, Sir John Fairclough, was chief scientific adviser to the Cabinet Office from 1986 to 1990.

Another link between the two men is the Centre for the Exploitation of Science and Technology (CEST), a London-based organisation dedicated to improving the exploitation of research by UK industry. Fairclough is now chairman of CEST and Robinson is a member of its policy-making council.

IBM has named Phyllis Byrne, whose entire career so far has been spent with the company's US operations, to succeed Robinson as head of the Hursley lab. As an American citizen, she will not be able to follow him into the British civil service.

■ **Anthony Smurfit**, eldest son of Michael Smurfit, chairman of JEFFERSON SMURFIT, the Irish paper, packaging and financial services group, has been promoted within his father's company.

The 28-year old MBA graduate from Scranton University, Pennsylvania, has been appointed chief executive of the print and packaging division of Smurfit UK, with effect from June 29. He will report to his uncle, Dermot Smurfit, group joint deputy chairman, and chairman of Smurfit UK.

Mike Smith, previous chief executive of Jefferson Smurfit's print, packaging and converting division, was recently appointed chief executive of API.

The group's British operations, almost entirely made up of the print and packaging businesses, made a trading profit last year of I£13.6m.

Anthony Smurfit was previously the personal assistant to James Malloy, president and ceo of Jefferson Smurfit Corporation/Container Corporation of America. He has been with the company since 1986.

■ **Jim Leng** (above), currently chief executive of LOW & BONAR'S European operations, will become group chief executive and md on the retirement in December of Roland Jervis.

■ **Richard Hickson**, chief operating officer and senior vice-president, has been elected a director of HOLMES PROTECTION GROUP.

■ **PEEK** has appointed Anthony Gould md of Peek Ltd, its Asian subsidiary based in Hong Kong.

■ **David Lemon**, business development director of HEPWORTH's building products division, has been promoted to md. Previously he has mainly held posts in marketing management, apart from a couple of years as md of Glow-worm, the gas boiler company which was acquired by Hepworth in 1987. He joined the board last year. Lemon, 44, says that when the building products business was dominated by clay pipes, "production was the thing". Marketing had gained in importance as the division pushed into new fields with plastic plumbing systems and concrete pipes.

He replaces John Carter, who was promoted to chief executive in March when illness forced Sinclair Thomson to resign.

All change at Addison Consultancy

Addison Consultancy, which is now Britain's biggest market research company following its takeover of AGB Research, is soon going to get a new name and a new chairman.

But while there is little doubt about its new title – Taylor Nelson AGB – the company remains coy about who will take over from the retiring chairman, 60-year-old Liz Nelson, one of the doyens of the market research industry.

Despite its name, the core of Addison's business is the successful Taylor Nelson market research operation. Founded by Liz Nelson, it was bought by Addison six years ago and was its last major acquisition, before that of AGB.

As a result of the takeover of AGB, which has trebled the size of the company and been financed by a very big rights issue, the composition of the Addison board is changing.

Two AGB directors, Mike Kirkham, 45, who had been managing director of AGB Television Worldwide, and Stephan Buck, 56, formerly AGB's group research director, have been appointed directors of the enlarged group.

Kirkham becomes managing director and assumes day-to-day responsibility for the audits division and Buck, who will be a non-executive director, will focus on further development of the TV measurement and continuous panel activities.

Apart from finding a replacement for Liz Nelson, it is expected that the number of French directors on the board will be reduced now that the shareholding of Virtus, a French market research firm, has been diluted from 26.06 per cent to 8.02 per cent.

New finance director for Severn Trent

Severn Trent has announced the appointment of Alan Costin as group finance director in succession to Stuart Larnder, who resigned without explanation last October.

Costin, who joins the privatised water supply, sewage and waste management group next Monday, has been finance director of Lex Service, the car retailing and leasing group, since 1987.

He joined Lex in 1970 and held a number of financial control positions in the UK and US, including finance director of Volvo Concessionaires.

The abrupt departure of Larnder, who quit "to pursue other interests", caused surprise within the water industry since it came less than six weeks before the group was due to present its half-year results, and John Bellak, Severn Trent chairman, declined to enlarge on the terse resignation statement.

Costin, who is 49, at present lives in Buckinghamshire.

■ **THE DESIGN MUSEUM is being very** *stoical these days*, **a suitable attitude in the light of its recent funding troubles. It thus seems entirely appropriate that it has appointed a philosopher, Paul Thompson, 32, as its new director.**

Thompson has jumped a rung, from the post of curator, and is joined at the helm by John Hendry, 35, who will continue as administrative director.

The museum has thereby tacitly recognised the need to have two people taking on the difficult roles of both financial administration and management and programming of the Museum's galleries – functions previously performed by its previous director, Helen Rees.

Thompson studied first at **Bristol University, then moved to the University of East Anglia to complete an MA, then a PhD on the origins of the modern movement, focusing on the American philosopher William James.**

The museum now has an operating budget of £1m for 1992, which given a determination to match expenditure to income, should be enough to see it through to better – and richer – days.

Contemporary Art Society

Private means for public view

Last winter the Contemporary Art Society celebrated its 80th anniversary by filling the Hayward Gallery with a survey of its activities and achievements over the years. The show concentrated, naturally enough, on the many plums the Society had produced for the public cake. To those unfamiliar with the Society's work, the scope of its engagement would have been surprise enough, but the true revelation was the sheer quality of what it had bought.

Founded long before public funds were ever granted to public museums and galleries to buy directly for their collections, the intervention of such bodies as the CAS and the National Art Collections Fund was of critical and determining importance. Regular visitors to any of the modern collections held in our public galleries, not just in London but throughout Britain, Australia and Canada, are never surprised to read below established favourite and stimulating new acquisition alike: "presented by the Contemporary Art Society".

That retrospective exercise of last winter is now complemented by this practical demonstration of the Society's current business, its true *raison d'être*. Leaving aside its latter-day diversifications – the corporate buying, the tours and visits, the autumn market – its animating principle has always been to entrust the funds it has raised by private subscription to the hands of its chosen buyers, drawn in turn from the ranks of its executive committee. To them it gives an absolute discretion to buy what they like or consider appropriate, within the budget. Some choose to set themselves a policy, to plug a particular gap or to buy only work of a certain kind or within a set price. Some might look only to young artists, or artists hitherto unpatronised or long neglected. Some again might simply buy *ad hoc*, responding directly to what the chances of the art world put their way.

In recent years the Society has made it its policy to include Fine Craft within its scope. One buyer a year is given this particular responsibility, and at Camden the room of craft purchases is both reproach and encouragement to those institutions yet to take the point. Given the comparative prices, the only wonder is that the demand has not long ago outstripped supply.

When its store-rooms are full, the Society arranges a distribution to its subscribing galleries and museums. Anxious curators swarm in to make their lists and put in their bids. The great virtue of the system lies in its arbitrariness and unpredictability, at once its responsiveness and immunity to current fad and critical orthodoxy. The range of work is extraordinary in its catholicity, fair and generous and always unexpected, and it puts curators on the spot in a most salutary way. For here, on the one hand, are works by the rising stars, such luminaries of the Turner Prize and pets of the Patrons of New Art as Fiona Rae and Ian Davenport, that otherwise would be quite beyond the reach of a straitened but serious provincial collection. And on the other are works far below the priorities and current preoccupations of so august an institution as the Tate, shall we say, yet still something it would quietly wish to have – a Dennis Creffield Madonna, an Anthony Eyton figure, a Harry Holland shadow or a John Hubbard garden.

What is pointed up above all else by this, as by every CAS distribution, argued tacitly yet so vehemently in the demonstration, is that serious, significant contemporary art is no narrow orthodoxy, the creature only of the most refined and critically acute hierophants of the avant-garde. That is not to argue that what comes out of Goldsmiths' at the moment, for example, or goes into the Lisson Gallery, is necessarily innocent of talent, but only that the sun rises on other places besides New Cross and Bell Street.

For, fair or not, one does still sense in the official policies not only of the Tate but also of the British and the Arts Councils, that by now it is only the age and reputation of a Freud or an Auerbach, or for that matter a Albert Irvin or a John Bellany, that secures any interest in them, rather than what they still produce: they are, or were, good artists, but the world has moved on.

That heresy must be nailed, and the simple truth proclaimed, that a painting of a cornfield may have at least as much to say of current reality and the human condition as any shark in a tank of formaldehyde. It is the Society's great strength that it has never forgotten this truth, nor that fashion is a fickle beast. Alongside the flavour of the moment, the Davenport, the Lisa Milroy, the Le Brun, Jackowski or Kapoor, it still finds room for the neglected or the temporarily unfashionable. These last are represented here by such distinguished examples as the oddly hedonistic minimalism of Peter Joseph, the symbolic expressionism of Martin Naylor, still-lifes by Len McComb or Stephen McKenna, a constructivist relief by Keith Milow. The list is endless, the show unfortunately little longer than a concert. See it.

William Packer

Gifts to the Nation – Contemporary Art Society Purchases 1988-1991: Camden Art Centre, Arkwright Road NW3, until May 13.

'Homage to Piranesi', 1990, by Stephen McKenna

Brighton Festival/Ronald Crichton

A Mass of Life

The Brabant Symphony Orchestra from the Netherlands makes a return visit to the Festival with three concerts based, surprisingly, on the theme of Nietzche's prose poem *Thus spake Zarathustra*. The first, on Saturday evening, brought the Delius *Mass of Life* which uses several parts of the poem. This was a "Europe Day concert". By now there will have been a second programme including the Strauss tone-poem *Also sprach Zarathustra*; on Wednesday comes Mahler's Third Symphony of which the fourth movement sets some famous lines from *Zarathustra*.

The visiting orchestra and the Brighton Festival Chorus had a guest conductor, Richard Armstrong. He gave a reading remarkable for clarity and propulsion. The feeling, not unknown in less assured performances, that "aged Midday" is falling sleep and that his brother "aged Midnight" has been in that state for some time, was successfully avoided. The attack in the opening number and other double-chorus outbursts, was tonic, the scoring that looks recklessly clotted and extravagant on paper sounded almost lean – all the same, the suspicion remains that in this at the time (1905) fashionably fat and maximalist score there is a thinner one struggling to get out. The point is worth mentioning, because the apparatus involved (large choir, huge orchestra) limits the number of performances of a splendid work many would like to hear more often.

Except in one respect the Brabanters are evidently at home with Delius. The horns in "On the mountains" at the beginning of part two were absolutely secure but they phrased stiffly – the Dutch have cows but not echoing Norwegian valleys – while the typical woodwind arabesques that should soften the outlines of some basic rhythmic patterns, though firmly outlined, were not ideally supple. There was plenty of light and shade: soft choral tone and soft strings were equally beautiful.

Much of the going in *The Mass of Life* has to be made by the four soloists. The baritone alone almost carries the long second half. Here there was some disappointment. David Wilson-Johnson, a most musicianly and intelligent singer, was too restrained and self-communing in his meditations and exhortations (Benjamin Luxon in the EMI, Groves recording is exemplary).

The tenor's part is small by comparison, but it needs firmer projection than Justin Lavender gave it. Teresa Cahill made sweet sounds in an unknown tongue. Nietzsche is not for murmuring. The best German came from Yvonne Minton, whom it was a pleasure to hear again – a pity that Delius gave his contralto so little to do. Text and translation, in vilely small print, were included in the programme.

Sponsored by The Delius Trust, East Sussex County Council and BAA Gatwick

Theatre/David Murray

Bad Blood

Griselda Gambaro's play is a hard nut, though flavoursome: you could break a tooth on it. In effect it is a chamber-sized Jacobean tragedy, but pithier and more rigorously focused than almost any in the original genre. Again steely passion replaces sentiment, and Grand Guignol goes hand in hand with viciously ironic comedy.

In the tiny Gate theatre, *Bad Blood* exercises a ferocious grip for an hour and 40 minutes, with no interval – possibly because the pub downstairs is closed for refurbishing, but anyhow the right decision – and without a wasted moment.

Beyond the Jacobean frame, it strikes specific modern veins. Not only a modern-psychological knowingness (which in this Argentinian play never compromises the passion, as it might in Northern latitudes); but a bleak, unblinking insight into what becomes of people under an arbitrary tyranny – both the tyrannised and the tyrant himself. Officially the scene is purely domestic, a grand house in the 1840s; patently it is a microcosm of a tyrannical society, though the point is underlined only by the intermittent rumble of execution-parades outside.

Immune to any challenge, Father is the coldly perceptive, loveless tyrant. Mother, broken to his will long ago, has learned to notice nothing but what it is safe to see. Their nubile Dolores has been so hugely indulged – she is wilful, volatile, extravagant – that she thinks she can get away with anything; she is wrong about that, which is the story of the play. Father has carefully chosen as her tutor a young hunchback, poor Rafael, who knows that he daren't take any chances at all; though Dolores is intended for Juan Pedro, a thick aristocrat as brutal as her father (if much stupider), she conceives a burning love for Rafael.

Things move inexorably toward catastrophe. No authorial tenderness is wasted upon anybody, but they all speak with such savage precision – or pointed evasions – that their exchanges seethe with embattled character. Marguerite Feitlowitz's elegant translation knows when to retain the forms of Gambaro's Spanish cadences, refusing to blur them into more "natural" English. Equally the cast, with faultless direction by Kate Rowland, know how to make that a dramatic asset.

Besides Peter Marinker's monstrous Father (never overplayed) and Marion Bailey's all-but-extinguished Mother, there is a gloating, ruthless servant by Kevin O'Donohoe to manage this domestic Hell. Louis Hilyer's prospective son-in-law is loathsome in every detail.

Young John Padden cuts a memorable figure as Rafael: doe-eyed, pretty and weighed down by his hump, as prescribed, but quivering with shy Hispanic pride and wariness. And as Dolores, Alex Kingston captures a wild Latin spontaneity beyond the range of most Anglo-Saxon actresses; one might think it a raw natural gift, were her perpetual mood-switches not achieved with such technical control. She is the most dangerous creature on the stage.

The Gate, Notting Hill, to May 30

Cannes Film Festival/Nigel Andrews

Ice picks are definitely in . . .

Does anyone have a good film out there? If so, please bring it to Cannes instantly. No matter if it is a home movie shot in wobbliest super-8 or if the only live creature in focus is the cat or if Auntie Flo falling into the children's playpool is the dramatic high point. It will still be better than almost anything at the 45th Cannes Film Festival.

You who regard Cannes as a jamboree for hedonistic film critics should be here right now. With the exception of Robert Altman's spitfire Hollywood satire *The Player* – more anon – consider the films we suffer through to earn our modest *déjeuners sur la plage*.

From Mexico, opening the Directors Fortnight, came Dana Rotberg's *Angel De Fuego*, a muddy-lit circus tale weighed down with ten-ton religious symbolism. From Canada, opening the Critics Week, came John Pozer's *The Grocer's Wife*, a surreal tale of small-town passion after – a long way after – *Twin Peaks*. And from Germany, opening the "Un Certain Regard" section came Michael Schottenberg's *Averill's Arrival*. In this a young man trapped between train connections finds himself in a nightmare town crowded with senseless bureaucracy and semaphoric non sequiturs. We would call the film Kafka-esque if we did not have some respect for Kafka.

Scarcely does the champagne glass touch the lips in Cannes '92 before it is dashed by the summons to another subtitled torture session. No wonder *The Player*, Altman's satirical tilt at Hollywood based on the novel by Michael Tolkin, was received with near-demented joy. It is a comedy masquerading as a mystery thriller. Through the story of go-getting studio mogul Griffin Mill (Tim Robbins) and his killing of a young screenwriter – suspected author of the poison-pen postcards Mill has been receiving – Altman sends his own poison-pen postcard to a movie industry that has marginalised him since his heyday with *MASH* and *Nashville*.

Astonishingly, the whole of Tinseltown's front-of-camera division seems to have signed on for Altman's film. Grateful to bite the corporate hand that feeds itself from their talent, cameo-playing stars like Cher, Bruce Willis, Julia Roberts and Burt Reynolds dash in and out of the story with their mogul-spiting one-liners. Meanwhile Robbins excels as the Baby Face Thalberg trying to reform the system without actually changing it: the story of Hollywood's exercise of power through the ages.

The Player opens in Britain soon: more then. Britain's own competition entries are James Ivory's *Howards End* and Terence Davies's *The Long Day Closes*, both May openers in the UK and both tipped for prizes at Cannes. Ivory's tour-de-Forster has been a huge hit here already and a buzz is growing around Davies's portrait of his childhood, sequel to *Distant Voices, Still Lives*, which has its official screening this week. I have seen it and will bet my stamp collection that it wins a major Palm.

But you see the problem? We are looking forward since there is nothing much to look back to. Even the stars have not electrified the headlines. First among equals have been Michael Douglas and Sharon Stone who brought *Basic Instinct* to Cannes as opening film, with more snores than shockwaves resulting. The French, especially, could not understand why a simple tale of passion between a detective with a Versace suit and a blonde with an ice pick was supposed to scandalise *le tout Europe*.

It is strange, though, is it not, how movie motifs spread. Ice picks are now definitely "in." A Russian director trying to sell more tickets to his film described it in his blurb as "reality with an ice pick to the head." And in Hal Hartley's mildly hypnotic *Simple Men* – the only Competition film within a mile of *The Player* and *Howards End* – a character also talks in passing of heads and ice picks.

From the maker of *Trust* here is a simple tale of two brothers looking for their jail-escaped dad through the crazy boondocks of Long Island. Instead they find romance and a peculiar wisdom. The dialogue could be by Beckett, the visuals by Mondrian, the pace by a snail. But at least it is funny and original; and at least, if not aiming an ice pick at the audience's frozen brain, the film does suppose that we *have* brains.

Too little of that at Cannes so far. Jury President Gerard Depardieu has joined the long line of Cannes jury supremos who instruct their peers to favour films appealing to the "heart not the head." Oh come now. This is a major European film festival. A little brain food would not be amiss, would it? We can get heart-warmers any day from TV or Hollywood; or from Cannes gossip columnists weaving desperate romantic tittle-tattle from a Cote d'Azur swarming with glittering people not yet doing glittering things.

Pop/Antony Thorncroft

Cher and k.d.lang

Look on this picture and on this. First we see on stage a woman hiding ostentatiously behind an image. Wigs that would shame Medusa; a succession of costumes all apparently raided from a call girl's wardrobe and designed to show off such indiscretions as posterior tattoos; a set that with its gnarled tree owes something to gothic comics, and, with its hydraulic lift, something to an automated warehouse; a repertoire of other people's standard material sometimes indecipherable beneath the shrill delivery; a band that covers every song with an unmelodic sludge; background singers experiencing advanced delirium tremens and dancers doubtless chosen to show off the slimness of the star's legs.

This was Cher at Wembley last week, vainly attempting to hold back 47 years with a show that was all posture and no heart.

Now the scene changes to Hammersmith to reveal a demure, androgynous figure, supported by soberly professional musicians, performing, with a piercingly affecting voice, her own songs of wistful longing and unrestrained sensuality, totally at ease in herself and in rapport with her ecstatic audience.

This was k.d.lang, the Canadian country singer who has proved too big and sexually complicated for Nashville to absorb and has now expanded to take over the world. And yet the two pictures are not in complete contrast.

Cher's status is ambivalent, too. During one of the incessant breaks, when she hops from thigh-length leather boots into fish-net body-stocking, a screen unfolds to fill with excerpts from her movies. You realise that they are all aimed at women. Her act too is littered with the slang of the male locker room. "Up Yours", and "Kiss my ass" she shouts at anonymously inoffensive members of the audience who rightly doubt the authenticity of her hair. Cher is the closet feminist.

k.d. on the other hand is the playful coquette, demurely refusing to admit to Sapphic tendencies, hiding much behind her irritatingly playful lower case name. "Tonight I'm finally going to come out" she teases in a manner far beyond the sensual capability of Cher. Pause. "Yes I am a Trini Lopez fan".

Her sense of humour is as beguiling as her songs, she is still a genuine entertainer rather than a showbiz money making machine, but the joke is becoming a bore. Perhaps k.d. is the closet straight.

Antony Thorncroft

Cher was at Wembley, k.d.lang at the Odeon Hammersmith

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Muziektheater 20.00 Hartmut Haenchen conducts Harry Kupfer's production of La Damnation de Faust. Runs till May 31, with next performance on Fri. Wed, Thurs, Sat: Parsons Dance Company (6255 455). Tomorrow and Fri in Concertgebouw: Harnoncourt conducts Schubert (6718 345)

BERLIN

Schauspielhaus 20.00 Claus Peter Flor conducts the Orchestra and Chorus of the Deutsche Oper in Poulenc's Organ Concerto and Fauré's Requiem (East Berlin 2090 2156). Thurs in Philharmonie: Michel Plasson conducts the Orchestre du Capitole de Toulouse. Fri, Sat: Zubin Mehta conducts the Berlin Philharmonic (West Berlin 2548 8232)

BRUSSELS

Palais des Beaux Arts 20.30 Antwerp Chamber Opera presents Rossini's musical farce L'Inganno felice, also tomorrow. Repeated next Tues in Antwerp (507 8200)

GENEVA

Victoria Hall 20.30 Walter Weller conducts the Orchestre de la Suisse Romande in symphonies by Mozart and Beethoven, plus violin concertos by Bartok and Janacek (Josef Suk), repeated on Thurs in Lausanne. Sun: Orpheus Chamber Orchestra (311 2511). Tomorrow, Fri and Sun at Grand Théâtre: Weill's Mahagonny (311 2311)
Théâtre de Carouge 20.15 Molière's comedy George Dandin, directed by Patrice Kerbrat. Daily except Mon till June 4 (343 4343)

GENOA

Teatro Carlo Felice 20.30 Valery Gergiev conducts first night of Teimuraz Chaidze's staging of Don Carlo, co-production with Kirov Opera. Runs till May 31, next performances on Fri and Sun afternoon (589329)

LONDON

Covent Garden 19.00 Daniele Gatti conducts I Puritani, with Dmitri Hvorostovsky, June Anderson and Giuseppe Sabbatini. Andrei Serban's WNO staging is revived by Jonathan Eaton. Runs till June 4, next performance on Fri (071-240 1066)
Royal Festival Hall 19.30 Arnold Katz conducts the Novosibirsk Philharmonic Orchestra. Tomorrow: Paco Pena (071-928 8800)

MUNICH

Herkulessaal der Residenz 20.00 Alfred Brendel (299901). Thurs at Gasteig: David Zinman conducts the Berlin Staatskapelle. Fri: Evgeny Kissin. Sat: Michel Plasson and the Orchestre National du Capitole de Toulouse (48098 614)
Staatsoper 19.00 Don Giovanni with James Morris in the title role (repeated on Fri with Wolfgang Brendel). Tomorrow: Prokofiev's ballet Cinderella. Thurs: Werther with Baltsa and Araiza. Sat: triple bill of choreographies by Balanchine, Kylian and Nils Christie opens a week of ballet performances (221316)

NEW YORK

JAZZ
Blue Note Jazz Club and Restaurant This week's guest artists are pianist/vocalist Shirley Horn and her trio, plus veteran bebop pianist Barry Harris, foremost exponent of the music of Bud Powell. Showtimes at 21.00 and 23.30 daily till Sun (475 8592)
DANCE
Metropolitan Opera 20.00 American Ballet Theatre production of La Bayadère. Daily except Sun till Mon. Next week: Coppélia (362 6000)
State Theater 20.00 City Ballet in Peter Martins' Ash (music by Michael Torke), plus three other works. Repertory performances continue daily except Mon for the next two weeks (870 5570)
CONCERTS
Avery Fisher Hall 19.30 Kurt Masur conducts the New York Philharmonic in Mozart's last three symphonies. Tomorrow: Michael Tilson Thomas conducts the LSO in Mahler's Ninth (875 5030)
Carnegie Hall 20.00 José Carreras. Tomorrow: Preservation Hall Jazz Band from New Orleans (247 7800)

PARIS

Auditorium, Forum des Halles 19.00 Song recital by Anne Sofie von Otter. Tomorrow: Tokyo Quartet (4028 2840)
Salle Pleyel 20.30 Jerzy Semkow conducts the Ensemble Orchestral de Paris in a Mozart programme, with Michel Dalberto piano soloist (4561 0630)
Palais Garnier 19.30 Philippe Herreweghe conducts Collegium Vocale in Bach's B minor Mass. Tomorrow till Sun: new choreographies by Odile Duboc and Daniel Larrieu (4742 5371)

ROME

Teatro dell'Opera 20.30 The Merry Widow, with Raina Kabaivanska. Runs till May 27, next performances on Fri and Sun. Tomorrow and Sat: Mascagni and Casella double bill (488 3641)

STRASBOURG

Théâtre Municipal 18.30 Orpheus Choir of Sofia sings Orthodox Church choruses (in Salle Paul Bastide). Fri: first night of Messager's musical comedy Passionement (8875 4823). Tomorrow in Palais de la Musique: Barry Douglas plays Rakhmaninov's First Piano Concerto (8837 6777)
Théâtre National 20.30 Compagnie Guizerix-Piollet in choreographies by Douglas Dunn, Francine Lancelot and Daniel Larrieu. Repeated tomorrow and Thurs (8835 4452)

VIENNA

Musikverein 19.30 Christa Ludwig, accompanied by Charles Spencer, sings Winterreise. Tomorrow: Maurizio Pollini (505 8190)

WASHINGTON

THEATRE
● Lettice and Lovage: Peter Shaffer's 1987 comedy, directed by Michael Blakemore. Opens tonight, until June 6 (National Theater 628 6161).
● The Piano Lesson: August Wilson's 1990 Pulitzer Prize-winning play. Opens tonight, until June 7 (Mechanic Theater 410-625 1400).
● No Exit: Sartre's tale of hell in a Washington Shakespeare Theater production. Until May 30 (Gunston Arts Center 703-739 9886).
● Measure for Measure: Michael Kahn's production sets Shakespeare's comedy in the 1920s. Until June 14 (Shakespeare Theater at the Landsburgh, 450 7th St, 393 2700).
● Prelude to a Kiss: a philosophical love story which has won author Craig Lucas several awards. Until May 24 (Olney Theater 301-924 4485).
● Buddy: the Broadway musical about Buddy Holly opens a four-week run tonight at Kennedy Center Opera House (467 4600).
JAZZ/CABARET
Blues Alley Jazz Supperclub Tonight: Donald Harrison Quartet. Tomorrow: Eddie Vann (vocals). Thurs till Sun: Pieces of a Dream, contemporary jazz (1073 Wisconsin Ave, in the alley, 337 4141)
CONCERTS/DANCE
Kennedy Center Washington Ballet presents choreographies by Dolin, Barra, Keith Lee and Kevin McKenzie daily till Sun in Terrace Theater. Tonight, Thurs, Fri and Sat in Concert Hall: Mstislav Rostropovich conducts National Symphony Orchestra. Sun: piano recital by Vladimir Feltsman (467 4600)

ZURICH

Opernhaus 19.30 John Cranko's production of Romeo and Juliet. Tomorrow: Il barbiere di Siviglia. Thurs and Sun: Semiramide with Gruberova. Fri: L'Italiana in Algeri. Sat: Guglielmo Tell (262 0909)
Tonhalle 19.30 James Judd conducts the Tonhalle Orchestra in Elgar's Falstaff, Peter Maxwell Davies' Orkney Wedding at Sunrise and Beethoven's Violin Concerto (Uto Ughi). Repeated tomorrow, Thurs and Fri (201 1580). Sat: Zurich Chamber Orchestra (252 1737)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Tuesday May 12 1992

The fight for EC finances

WHEN MR Jacques Delors spelled out plans in February for a one-third increase in European Community revenues during the next five years, the EC Commission president knew that he was advancing into difficult terrain. The hostile response from the richer EC countries has shown that this campaign will be uphill all the way.

Placing the EC's budget on to a new footing to meet the challenges of a Community which is becoming both wider and deeper is of crucial importance. The EC must, however, draw up a far more coherent list of spending priorities for coming years, ensuring that its ambitions for an enlarged union do not run beyond its capacity to finance those actions and responsibilities in a sound and sensible way.

Half the extra money which Mr Delors wants to spend by 1997 is targeted on economic development in the poorer EC countries, Greece, Spain, Portugal and Ireland. Much smaller additions are earmarked for aid to the former Soviet Union, eastern Europe and North Africa, as well as for the EC's infrastructure and industry projects.

The Ecu 21bn extra spending foreseen over five years in the Delors plan will not break any national budgets. The increase adds up to roughly 0.25 per cent of the Community's combined gross national product. Mr Delors' proposals are consistent with the principles underlying the Maastricht treaty on European union. The EC has, after all, set itself the goal of moving to a higher plane of integration, crucially through economic and monetary union.

Most critical

The countries which have most criticised Mr Delors' ideas are those which are either already – like Germany and Britain – net contributors to the EC budget, or those which fear, like Italy, that their benefits will be eroded. Yet if the Community wants to create the political conditions for irrevocably fixed exchange rates between all members, it will have to accept the need to pay for it.

It is accepted that preparing for Emu requires convergence of EC economies, but this process should not be viewed in a rigid way. The EC cannot, for example, sensibly pursue full income convergence among all member states, not least because it would send the wrong signals to the former communist countries of central Europe now queueing up for EC membership in the next decade. Yet fiscal transfers from stronger to weaker countries will help to cushion the effect of economic restructuring in the poorer members. Such restructuring is taking place anyway, but the pressure will probably be greater under the Emu process. Spain, for instance, is understandably making support for the Maastricht treaty dependent on greater efforts to finance economic "cohesion".

Greater equity

Any future EC budget arrangements must aim for greater equity in the provision of resources. The Commission plans to shift the mechanism for allocating contributions away from the present reliance on value added tax receipts towards a measure based more on countries' GNP. That is an overdue move towards more fairness.

Another guiding principle is the need to maintain maximum pressure for reform of the common agricultural policy. Farm spending was about three-quarters of the Community budget in 1984-85. It is due to fall next year to less than half the total. For Mr Delors' overall spending plans to be credible, these reforms must be intensified.

There are consequences for Britain, too. If the new direction taken by the Community at Maastricht is to be sustained, Britain will have to help foot the bill. The UK's £2bn a year rebate on its Community payments was negotiated by Mrs Margaret Thatcher in 1984, when the EC's financing structure and its ambitions looked very different. The UK must accept that the rebate will probably have to be renegotiated. The German government again made this point in Brussels yesterday.

Some of the Maastricht signatories may have been under illusions about about the consequences of the commitment to which they agreed. If Mr Delors has provided the opportunity for a clearer and more rational debate about the EC's budget strategy, then – not for the first time – he will have set the Community on the right course.

Better news from America

WALL STREET'S reaction to the unexpectedly sharp rise in US payroll employment on Friday was telling: bond prices fell back in mild shock, but then recovered, and by the end of the day the yield curve was actually flatter. In short the US recovery, which is by now well established, still looks like a very moderate one. This is frustrating to the administration, which is looking for a political boost, and to the Fed, which had hoped for a stronger response to its quite aggressive monetary easing; but it suits the bond market. Growth looks strong enough to support tax revenues, but too weak to threaten a resurgence of inflation.

It is easy to discount Friday's news: much of the growth was in health; manufacturing still looks sluggish, with shrinking order books; and in any case, there was an extra week in the survey period which is not reflected in any seasonal adjustment. Equally, the strong retail sales shown in recent store surveys can be put down to the weather, or a politically-motivated surge in Federal payments which will not recur. Meanwhile, car sales remain at historically depressed rates even after a modest April rebound.

Positive signs

Easy, then, to cavil; but almost certainly misleading. There are also hidden positive signs: the household survey of employment, which includes self-employment, is strongly positive – the strongest, in fact, in any post-war recovery; and payroll employment outside the growth sectors of retailing and health care has stabilised despite continued restructuring and layoffs in defence, finance and parts of the public sector. The private sector diffusion index – the proportion of all employers expecting to increase hirings – is now clearly positive.

The puzzle for envious observers on this side of the Atlantic is to see what is driving any recovery at all. It is true that the Fed has responded, too slowly for some critics but far more strongly than any European central bank, to signs of self-imposed credit restraint. However, the figures for broad money and credit show no response – indeed, the growth of M2 fell through the bottom of the Fed's target range at its last reading. Strong personal income growth has not been enough to offset weak employment and weaker confidence in the UK; yet spending rises in the US despite the fact that real wage rates have hardly risen in a decade. Exports have accounted for well over half of US growth since the dollar was driven headlong from its 1985 peak, but most US export markets are now themselves depressed.

Reviving confidence

The first answer is that US domestic growth and employment growth are the two sides of a similar coin. The labour force is still growing, though less rapidly than in recent decades, strongly supported by immigration. This helps to explain low real income growth, low inflation and low personal savings rates; but it promises that reviving confidence in the jobs market – and confidence is reviving, according to recent surveys – will attract more participants. This is an economy without an effective labour constraint. This casts an odd light on the Europhobia which faces well-qualified would-be immigrants to most EC countries.

A second answer is that US export growth is standing up well to sluggish demand in the outside world. This reflects not only an under-valued exchange rate – an example which cannot, by definition, be followed by everyone – but an open-minded trade policy. While the project for a North American Free Trade Area seems beset by snags, it has given the signal for dynamic growth. US exports to its economically tiny but potentially huge neighbour Mexico have been growing as fast as those to the entire EC. Contrast, again, the grudging response to the desperate trade needs of the former Warsaw Pact economies.

It is ironic that these modest and sensible successes have been achieved at a time which American political self-doubt has never been stronger, when populists denounce the loss of jobs to Latin America, and minorities in US cities explode in mutual hate. But if returning economic success soothes these social problems, European economic leaders should be asking, between shouting-matches on trade, what they can learn from the US.

US retailer all over the shop

Nikki Tait and **Barbara Durr** examine mounting criticism of Sears Roebuck

Ed Brennan, a third-generation employee at Sears Roebuck who rose from the shop floor to become its chairman, sits in Chicago's 110-storey Sears Tower and ponders a question about capital expenditure. The carpet is thick, the view magnificent, and Mr Brennan does not appear to know the answer.

An adviser interjects. The required figure will be disclosed in the retail and financial services group's annual report. Perhaps he could search it out and communicate later? Mr Brennan, mollified, delivers a homily on the dangers of statistics.

By chance, an identical conversation had arisen weeks earlier. The setting had been the spartan headquarters of Wal-Mart, an aggressive discount chain which recently ousted Sears as America's top-selling retailer. Don Soderquist, Wal-Mart's chief executive, had nipped into a neighbouring office, cornered the finance director, and extracted the answer. It took two minutes and there was no minder in sight.

The comparison may seem trivial but it epitomises much of the criticism surrounding Sears. Struggle as the 106-year-old behemoth may to cut costs and streamline operations, it is still dogged by inefficiency and overmanning. The antique furniture does not shift easily and the paternalistic attitudes of top corporate officers seem equally fixed.

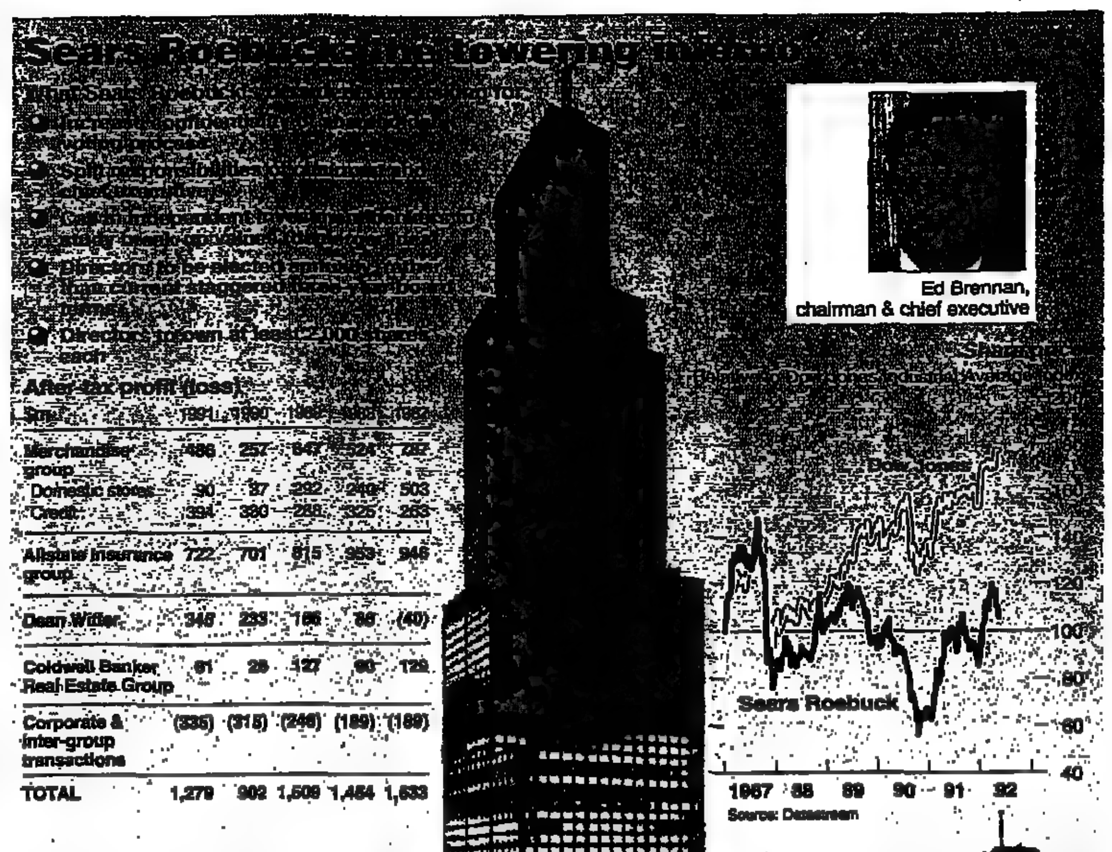
"The central issue is culture," says Edward Weller, retail industry observer at Montgomery Securities, a San Francisco broker. "Sears was so caught up in its post-war success that when the world passed it by in the 1970s, the company didn't know it."

Criticism of Sears has been mounting over the past five years, since its peak profits after tax of $1.63bn in 1987. The company – which employs more people than any US corporation except General Motors – has been on a slide since then, making less money last year than in 1983. Its share price has oscillated around the $40 mark for four years after a high of $59.5 in 1987. Not surprisingly, investors are unhappy; some have complained vociferously. At its annual general meeting on Thursday, five separate "dissident" motions are on the agenda. Mr Brennan knows there will be trouble.

Already some of his opponents have spoken out publicly. These include the California Public Employees Retirement System (Calpers), one of the biggest institutional investors in the US; some of the sales agents for Allstate, Sears' large insurance subsidiary; and Robert Monks, a professional shareholder activist, who tried to win a board seat at Sears 12 months ago.

Battle lines have been drawn. On one side, Mr Brennan will be challenged by his critics to field an adequate "industrial" defence in terms of improved operating performance and to outline strategies to recoup lost territory. On the other, the dissidents will be trying to take advantage of the changing climate of US corporate governance to give shareholders greater influence on the company through independent board directors.

Against this background of declining performance and mounting disenchantment, Sears' problems should be put in perspective. Having started out as a catalogue operation in the 1880s, it had come to symbolise "mainstream America" by the mid-1950s and by the 1960s was able to state bluntly: "We are not a store for the whimsical or affluent . . . We are not a store which anticipates . . . We reflect the world of Middle America."



The roaring Eighties, followed by the recession-hit Nineties, have presented two distinct challenges. First, after a sharp rise in consumer spending and expansion in US retail space, Sears turned to consumer-based financial services. In 1981, at a cost of $800m, it added the Dean Witter Reynolds investment banking firm and Coldwell Banker property services to Allstate, the large composite insurer it already owned. "Stocks 'n' Socks", muttered Wall Street rather derisively.

In its zest to become all things to all men, Sears overlooked the trend of the US retail market. Specialty retailers, or "category killers", started coming into their own in the late 1980s and stealing business from department stores. Toys 'R' Us is probably the best-known example in the UK – but in electronics, the pattern was repeated by Circuit City, in fashion by the likes of Nordstrom.

More recently, a second trend has emerged. Discount retailers, led by Wal-Mart, and the warehouse clubs (out-of-town barns, selling at rock-bottom prices to a membership customer base) are making the running. "Value" has become the buzzword: quality, branded goods at the lowest price.

On both scores, Sears has been slow to respond. At the end of the 1980s, it introduced "power formatting", dividing the business into seven areas: appliances and electronics, home improvement, automotive, home furnishings, women's fashions, children clothing and men's apparel.

Each was to have its own distinctive space and image within the overall store. In the case of electronics, for example, Sears effectively developed an in-house boutique, Brand Central, and broke with tradition by introducing rival name brands alongside its own strong Kenmore appliance brand.

On the price front, Sears actually closed its doors for two days in 1989 to adjust prices across the board. Amid much fanfare, it re-opened and declared its commitment to a policy of "everyday low pricing".

But such catch-up moves did not address the retailer's deep-seated flaws. A far more fundamental change was needed if Sears was to match its rivals. In 1989, Sears' expenses accounted for 30 cents in every dollar of sales: at Kmart, the figure was 23 cents, and at Wal-Mart, 16 cents.

Worse, Sears' bureaucracy, especially on the merchandising side, was cumbersome. There was, for example, one raft of head office buyers, with marketing staff who talked to the stores; store managers who took responsibility for the profits of their properties, and who picked what they wanted from the buyers' lists; and then regional store managers who had responsibility over the store managers, and their own marketing operations. Inevitably, suppliers would find the head office buyers and regional managers at odds, and the supply chain would stagnate.

Shifting this juggernaut's course has not been quick or easy. On one hand, Mr Brennan says 275 stores out of 860 "will essentially have the ingredients of the power format by the end of 1992". (This could mean a full-scale revamp or a more superficial division of existing floor-space). When asked about the pace of further change, he prefers to stress spin-off merchandising benefits over hard numbers relating to the group's performance.

The cost picture is no clearer. More than 40,000 jobs have been axed since Mr Brennan resumed direct responsibility for the retail division in August 1990, including those of the regional managers. But Sears' competitors still have an average five-point cost advantage. "Their expenses (are) running at about 23 cents on the dollar while ours are at 28 cents," Mr Brennan acknowledged. (The 1991 figure stood at 29.2 cents for Sears).

This disparity prompted Sears to commission a "benchmarking" study – in essence, a detailed comparison with other retailers' organisational structures, with particular emphasis on staffing and costs.

The results? "There will be additional jobs to go," says Mr Brennan. "It's a very difficult task to realign a business. In some areas we're at the end of the job losses." He refused to discuss numbers.

To date, the earnings figures show little benefit from Mr Brennan's strategy. After-tax profits fell to a low of $902m in 1990, before rebounding to $1.28bn last year. At first glance, the merchandising division appeared to mirror this improvement; its profits, $787m in 1987, advanced from $257m in 1990 to $486m in 1991. But within this figure, domestic retail operations made just $90m, and $394m came from the credit business. This, moreover, was on turnover of $25bn.

Significantly better figures are expected this year; earnings per share are forecast to top $4.50, compared with $3.71 in 1991. This will be partly due to cost savings on the retail side; partly to a rebound at Allstate; and partly to strong figures from Dean Witter.

Before competitors start rubbing their hands in glee on Thursday, they should pause. Only one alternative strategy has been mooted to pull Sears out of the mire – spinning off the financial services companies as a separately quoted stockmarket entity.

In share price terms, a demerger could look attractive. One observer reckons the retail division and financial services companies, traded separately, might be worth $57-$66 a share (before the allocation of corporate overheads). Operationally, the advantages are debatable. There is potential for an increased amount of cross-selling between Allstate and Sears the merchandiser but at present the two groups only generate a small percentage of each others' total revenues. The demerger study proposal is the third preference on a list of five ideas being put forward by dissidents on Thursday, says Mr Monk, who has contacted 300 institutional shareholders (see graphic).

The dissidents face one other crucial problem in battling for reform. About 22 per cent of Sears' shares are held by employee profit-sharing plans whose trustees are appointed by the board. Sears' critics know they have little chance of securing support from this block. The most they can realistically expect is a strong protest vote.

That, at least, might send signals to the board which, apart from Mr Brennan, is composed of non-executives. Mr Monks cites recent ousting by directors of chairman Robert Stempel as head of the executive board committee at General Motors as a sign of a changing climate. "I think the GM action removes every modicum of a doubt that a board is required to take responsibility. In the past, it has usually gone along with management."

Given the record of inaction at Sears, it is possible that nothing will be done to appease shareholders. The company cannily reduced board numbers from 15 to 10 last year, and the figure is now nine – despite promises to bring in new blood. These remaining directors may be inclined to give Mr Brennan the benefit of the doubt until the results of his strategy are clearer.

But the raised voices of the critics will not be silenced if the company gives any further ground to its competitors. If Sears does not find a way to reach into the hearts and purses of middle America, Mr Brennan may discover that magnificent views do not necessarily make magnificent companies.

Joe Rogaly

Major's magic moments

Everything seems to be going right for Mr John Major. The prime minister should not be begrudged his magic moments. He has earned them. Indeed, they may last longer than the fates usually allow, for since his return to Downing Street on April 10 he has performed with the confident touch of a man whose hold on his job has at last been legitimised.

Just over four weeks ago he led the Conservatives to their fourth general election victory in a row. The fact that this was unexpected made the achievement seem all the more remarkable. Yet there was none of the triumphalism of June 1987 in last week's Queen's Speech, or in the prime minister's presentation of it in the commons. With Mrs Margaret Thatcher in charge, a majority of 100-plus, and the opposition in disarray, the Tories of 1987-88 strutted about as if they were politically immortal; with Mr Major in charge, a majority down to 21, and the opposition in apparently worse shape than ever, the Conservatives of May 1992 are conducting themselves with moderation and courtesy.

It would be uncharitable, and incorrect, to ascribe the government's restrained demeanour entirely to the narrowness of its majority, or even to the nasty premonitions of defeat that afflicted most of them during the campaign. The matter-of-fact personality and emollient style of the prime minister have also had something to do with it. If the Tories go on like this they will end up more popular than they were during the Thatcher years. The apparent rush of support for Conservatives in last week's local elections is partly the consequence of Labour's demoralisation, but its significance should not be discounted. After 13 years of continuous rule what seems like an entirely new government has emerged. The prime minister's political stature has been enhanced, not only in its own right, but also when set against the diminishing public images of the German chancellor and the presidents of France and the US.

The Conservatives are benefiting most of all from a perception that the British economy is in better shape than those of its continental competitors. People are beginning to get carried away on a wave of exaggerated optimism. Some indicators suggest that the recession has bottomed out, others that we have to wait. This is beside the point. Recovery may be slow but there can be no doubt that it is on the way. We are all bulls now – all, that is, except the unemployed, sellers of houses, and retailers waiting for consumers to get the message.

The Tories could end up more popular than they were during the Thatcher years

The mood in the City has been transformed. The stock market has advanced to record highs. Sterling is strong, and rising, in spite of a cut in bank base rates by half a point to the lowest level for four years. Now the talk is of British interest rates falling below Germany's, a notion that could not be seriously entertained before polling day. There are many technical explanations for this turnaround, but the simplest is the most compelling: the markets are showing confidence in Mr Major's government.

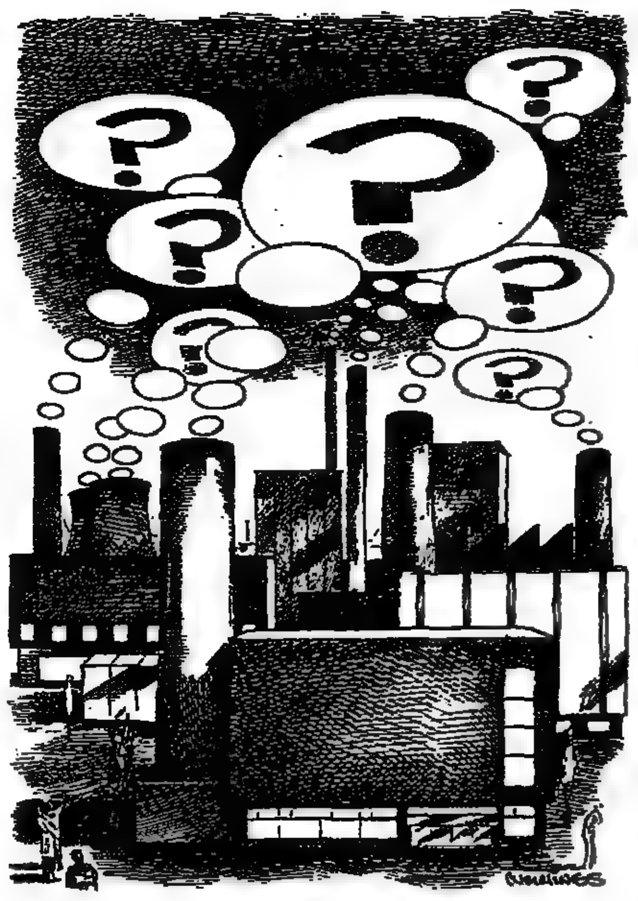
Democrats may not savour the prospect of decades of one-party rule; markets are more sanguine. The opposition is in abeyance. It is easy to sustain the fancy that it may not return to power this century. Mr Major acknowledges that mistakes were made during the recent campaign, but he has vowed that they will not be repeated. His appointment of Sir Norman Fowler to rebuild the Conservative party is one means to that end. Mr Fowler is a smooth operator. Given four years in which to do the job his administrative overhaul could make the difference in a score or more of marginals. The work of the constituency boundary commission, generally thought to be worth between 15 and 20 extra seats to the Tories, will have been completed before there is a chance to vote again.

In these circumstances the size of the task facing both Labour and the Liberal Democrats is greater than perhaps either party has yet realised. Mr Paddy Ashdown's weekend call for a working relationship between the Lib-Dems and Labour, "to assemble the ideas around which a non-socialist alternative to the Conservatives can be constructed" reaches to the nub of the matter. Yet even when, as they surely must, both sides prove willing to talk that will be only the beginning. The ideas they assemble must have relevance to the needs of the future, not the past. Old Labour-Liberal rivalries must be set aside. To be certain of an election victory the two parties must unite, or one must swallow the other. Neither is yet ready to allow either cataclysm to take place.

This leaves Mr Major facing the only hostile opposition he needs to fear: the devastating force of unforeseen events. We cannot know when this monster will show itself, or what form it will take. We can, however, be sure that it will come. Events always overthrow governments in the end. For Mr Major that experience may lie many years in the future.

The Archbishop of Canterbury has criticised companies' narrow focus on shareholders. **Charles Handy** calls for a shift in thinking

Priorities and purpose at the heart of capitalism



What is a company for? The question sits uneasily at the heart of capitalism. Until recently, with communism and centrally planned economies as our common opponents, we were not pressed to provide an answer. To many reared in the traditions of Anglo-American business, the answer anyway was clear – "to enhance shareholder value", with all that implied for efficiency, customer service, shrewd investment and personnel policies.

The capitalist world, however, has lost its common enemy and must now look more closely at itself. The countries newly emerging from socialism are not entirely happy with all they see of capitalism. To them it is not self-evident that what is good for some shareholders is necessarily good for the rest of society. They also see there are different versions of capitalism: Japanese, American, German, British.

As the world of business becomes more and more global, these different traditions of capitalism bump up against each other. We not only have to learn about them, we need to learn from them because they begin to close towards each other as companies compete and combine. Working on different assumptions will be untenable in the long term.

Akio Morita, the chairman of Sony, has taken the point. In an article in the January edition of Bungei Shinju, the political and economic journal, he suggests that Japan's competitiveness has been achieved by keeping margins and prices low over a long time in a constant search for volume to provide the cash-flow. This has, however, meant skimping the other stakeholders in favour of the customer.

The average pay-out ratio, for instance, was 30 per cent in Japan in 1990 compared with 68 per cent for the average British company and 54 per cent for US ones. Japanese employees worked 2,159 hours on average in 1989 compared with 1,638 in France and only 1,546 in Germany. Mr Morita argues that neither the world nor Japanese society will tolerate these differences much longer. Japan, he says, must fashion a new corporate attitude, rebalancing stakeholder interests and going some way to meet the west.

We, on our part, may have to do the same but in the other direction. If we don't, we may lose competitively. More of the earned surplus needs to go back to the customer by way of lower margins and lower return on projects. An open and tempting share market will also lure new owners for Anglo-Saxon assets from overseas without any corresponding opportunities in their more closed markets. A change to foreign ownership can often be beneficial in the short term, but if too much of Britain ends up as an offshore manufacturing subsidiary subject to the whims of outside owners, the risks are obvious.

We may, therefore, start to look at our shareholders rather differently, and more as other countries do, as financiers rather than as owners. Satisfying these financiers then becomes a requirement not a purpose. To turn shareholder needs into a purpose runs the risk of confusing means with ends. But this is a risk we seek to avoid by saying that shareholders' needs are actually a yardstick for all other purposes.

Business today depends largely on intellectual property, which resides in individuals' heads

The danger in doing this is that we undersell the real purpose of the business, which is to provide quality goods and services to customers and quality lives and work to its people. One cannot continue to do that without keeping one's financiers happy at the same time. If they are not happy they will blow the whistle, warn and then, if necessary, move the management before the marketplace removes the business. Whistle-blowing is their function, not the indirect management of the business.

Ownership is a misleading concept in other ways too. It suggests that a company is a commodity to be traded and that its people are commodities too. Too often that is exactly what happens, because in the Anglo-American stockmarkets financiers have that power.

Should they have that power? They do not, after all, have the balancing responsibilities of ownership. Because of the different ownership patterns of Japanese and Continental companies the casual investor does not have the same power as his counterparts in New York or London. The financiers in Japan and on the Continent, therefore, are more like guardians, keeping a watchful eye, but not jumping ship just because there is a torn sail.

Akio Morita called for a change in Japan's corporate attitude and suggested that the big companies should lead the way. There are encouraging signs that that is happening in Britain. More and more companies are formally listing their priorities, often putting customers and employees ahead of shareholders in the pecking order of stakeholders and taking pains to educate the stockmarket about their long-term strengths and plans.

Now, too, that the investing institutions own two-thirds of the equity of British businesses, they are effectively locked in and must become guardians (though not owners) rather than traders. Some company chairmen are cautiously lowering their real term dividends without upsetting their share price in a more sophisticated market. Share option schemes are beginning to be designed to reward long-term performance by managers rather than acting as short-term cash bonuses.

We need to go farther faster. We need ways to put numbers on people's skills, which are an increasingly important element in companies' wealth-creating capacity, and on other forms of intellectual property. Intangible assets already outweigh the tangible assets on the balance sheets of many advertising agencies, consultants, publishers and architects. They probably do so in most businesses, although this fact usually only shows up during contested takeovers. Accountants, in other words, need to turn their gaze on the future and measure it. If they will not do so, management should.

We can no longer shelter behind shareholder value as a synonym for corporate purpose. In business, as in life, we all need "a purpose beyond ourselves" to feel useful, worthwhile and good about ourselves.

Companies today are not like they were in Victorian times – properties with tangible assets worked by hands whose time owners bought. Business today depends largely on intellectual property, which resides inalienably in the hearts and heads of individuals. Companies have to be re-conceptualised. They are communities with members, communities which need customers, suppliers, financiers and community support if they are to survive and prosper in the interests of all.

We do not need to change company law to create this new idea of the company, but we do need to change the way we talk and the way we count. That way we will start to change the way we think, and then the way we act.

The author is Visiting Professor at the London Business School and the author of The Age of Unreason.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873-5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Small company audit plans lift burden and focus responsibility

From Mr Michael Groom.

Sir, Perhaps I can set the mind of the outgoing president of the Chartered Association of Certified Accountants at rest – at least to some extent ("Move to cut audits attacked", May 8).

We have consistently campaigned for measures that would ease the regulatory burden on small companies. One such measure would be to allow small proprietary companies to elect to dispense with a statutory audit, subject to suitable safeguards. Another, as recently floated by the Department of Trade and Industry, would be to create some abatement for those very small companies below the £36,600 turnover threshold for vat. At this turnover level, the current required fee for the full audit must be a significant proportion of a company's profit.

We have therefore set up a working party to consider the latest suggestion from the DTI and the related issues arising from it. In doing so we are simply playing a part in moving towards an urgently needed new era of deregulation.

Michael Groom, *chairman, small company audits working party,*
Institute of Chartered Accountants,
Moorgate Place, London EC2

From Ms Stella Fearnley.

Sir, I am surprised the DTI's initiative in reconsidering the need for very small companies to have an audit is not universally welcomed by the accountancy profession ("Move to cut audits attacked").

There seems to be a fear that by abolishing the small company audit directors of small companies will somehow be relieved of some of the responsibilities of limited liability in terms of financial reporting.

In fact the opposite is true. The Companies Acts place responsibility fairly and squarely on the directors of all companies of whatever size to prepare annual accounts which comply with company law and accounting standards, and require these accounts to be filed with the registrar within the predetermined time limits.

The absence of an audit would force directors of small companies to take these responsibilities more seriously as any legal action resulting from material mis-statements in their accounts would be directed at them rather than, as is often the case at present, at the auditors' professional indemnity insurance.

Stella Fearnley,
department of accounting and management science,
University of Southampton

Educational foundations

From Mr T F Daveney.

Sir, Your leaders, "Los Angeles, a political test ... and a warning (May 5), rightly draws attention to the possibility of similar events taking place in the UK. You cite public disorder in North Tyne in September as a threat which it would be foolish to disregard, yet difficult to escape, in view of our failure to educate the present generation of young people in deprived areas.

However, I think you are unduly pessimistic in suggesting that perhaps all we can do is to lay better educational foundations for the next generation, and meanwhile hope for the best. The adult education skills in the UK are outstanding, and seriously under-used. Universities, local authorities, colleges, the Workers' Education Association and other bodies have organisational capacity which comparatively modest sums could bring into use. The bulk of the teaching in this field is undertaken, very inexpensively, by part-timers, while training and administration are carried out by a small corps of professionals. A crash programme could be in place within months. All that is required is cash, a strong political will, and a little ingenuity in devising student incentives. By the time the educational targets have been achieved, the government's expanded training programmes, one hopes, will be in place. Adult and continuing education should seize this opportunity with both hands.

T F Daveney,
The Old Chapel,
Whiddon Down,
Okehampton, Devon EX20 2QP

Confused

From Mr Martin Adeney.

Sir, Re Mr Leonard Dowsett's letter (May 8), the suggestion that ICI invented polyester was the FT's, not ours. I am not aware that we have ever made any such claim. I think the explanation may be simpler: a confusion with polyethylene, colloquially known as polythene, which was indeed invented by ICI.

Martin Adeney,
head of group media relations,
ICI,
9 Millbank, London SW1P 3JF

Bidder for Midland cannot sustain nationalist position

From Prof Dale Littler and Dr Penny Ciancanelli.

Sir, The current debate about the future of the Midland Bank should be viewed from the perspective of the longer term dynamics of international banking. It is clear that the combined impact of technological and legal changes confront all banking organisations with stark choices.

The fundamental difference between the two bids for Midland is that one is premised on an internationalist view of banking in the 1990s while the other is based on an essentially nationalist view.

If Hong Kong and Shanghai gains control of Midland the UK will become home to another of the world's large banking organisations. Midland's customers, large and small, will have access to the facilities and competencies of a worldwide organisation.

If Lloyds gains control of Midland, rationalisation will involve substantial job losses. The UK will still have only one truly international bank, reduced choice for small business borrowers (where margins are already good) and increased competition for big business borrowers (where margins are wafer thin or non existent).

Moreover, Lloyds and Midland share virtually nothing in information technologies. So it is unlikely that rationalisation can proceed at a timescale to produce the rate of cost savings forecast by Lloyds.

An inward looking strategy inevitably rests on the following premises that retreat from international pressures is possible; that banks "own" their home markets; and that because continental banks have not yet entirely solved the problem of entering British markets they will never do so.

There is no evidence to support these premises. All the research shows that the long run forces are completely opposite: existing protected positions within national markets are unsustainable as technology continues to transcend artificial national boundaries and existing suppliers seek to maintain growth and secure economies of scope and scale realisable through international expansion.

Being a "domestic" player may well have short-term attractions: downsizing with its emphasis on cost reduction together with a careful focusing on selected sectors and segments does offer shareholders short-term benefit. But the resulting bank organisation will be ill-suited to face the challenges of competitors which entered the international market place and won market share worldwide.

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OBSERVER

Gorby's Red Star special

■ Karl Marx must be spinning in his tomb. Not only has Mikhail Gorbachev – together with the glamorous Raisa – taken to riding across America's skies on Forbes Magazine's well-appointed "Capitalist Tool" jet, but last night he was guest of honour at Forbes' 75th birthday celebration at New York's Radio City Music Hall. Is there nothing the world's favourite ex-Soviet president won't do for publicity?

Taking a cue from his old friend Ronald Reagan, Gorbachev is cashing in on his reputation now that he is free from the cares of office. Last week 500 guests paid $5,000 each to attend a Reagan Library lunch for Mr G.

Then, in San Francisco, another 4,000 local fans paid $40 a ticket to hear a Gorbachev speech. This week's lecture on anti-Semitism at Yeshiva University, a Jewish college, is expected to raise another $1m for the Gorbachev Foundation. In between times he will visit the New York Stock Exchange and break bread with Henry Kissinger.

Yet nothing is as surreal as the flirtation between Gorby and the eccentric Forbes Magazine. Last night he joined Ronnie at Forbes' mogul-studded Radio City event, with 3,000 guests ranging from First Boston's Jack Hennessy to clothes designer Ralph Lauren. Maggie Thatcher was invited to the Forbes bash, but sadly couldn't make it.

Forbes is reluctant to explain the terms on which Gorbachev borrowed its jet, but it sounds as if it was a quid pro quo for his appearance at the Radio City bash. Whatever the terms, Malcolm S Forbes junior, 44, seems to be trying to live up to his father's hell-raising reputation. But somehow he doesn't seem to have quite the same sort of pizazz.

Short changed

■ Global warming is having a profound effect on every corner of British life. This summer, for the first time, postmen and women will be allowed officially to wear shorts as part of their uniform. The shorts must be of a sober design – dark in colour and preferably of Bermuda length, say the Post Office rules.

But the wearing of shorts is unlikely to mean an increase in dog bites. Says the Union of Communication Workers: "Most dogs can gnaw through the standard-issue trousers. Wearing shorts will free people to make a quicker getaway."

Why Dublin?

■ Ireland's fourth Eurovision Song Contest win has landed the state-backed television and radio network, RTE, with a big financial headache. Tradition dictates the winning country host the next year's competition.

The Irish have won the contest three times before – in 1970, 1980 and 1987 – but staging the 1993 event in Dublin could cost RTE at least I£2m. Irish officials will now have to weigh up their obligations before deciding whether they can dance to Eurovision's tune.

Royal return

■ The more mischievous among Conservative MPs were speculating that the Queen may have decided to settle an old score with Margaret Thatcher when she speaks to the European Parliament in Strasbourg today.

During her time in Downing Street, Thatcher consistently refused to sanction a royal visit to an institution whose federalist ideals she abhorred. Now the Queen is planning to tell the MEPs that her government sees Strasbourg winning an ever more important role in fulfilling the European ideal.

Most wounding for the former prime minister, an original draft of the Queen's address – the subject of sharp differences at Westminster last night – argued that differences in national parliamentary tradition were insignificant against a European-wide commitment to democracy.

At that, Thatcher, already planning to deliver another onslaught on Federalism in the Hague on Friday, was expected, in the words of one Tory MP, to "go nuclear".

Side order

■ Carlo De Benedetti's enemies, not least TV magnate Silvio Berlusconi, are revelling in the latest spicy story at Olivetti, the troubled computer group he controls. Having announced a $300m order last week to supply computers to over 8,000 McDonald's outlets in the US, it now turns out the company has merely been selected as one of two approved suppliers.

It is not quite the "gaffe" Berlusconi's news magazine Panorama proclaims it to be in its latest issue; Olivetti may still end up selling McDonald's plenty of PCs. But coming just before today's likely announcement of a L400bn (£181m) loss for 1991, Olivetti may have been a bit too enthusiastic in claiming its bite of the burger.

Open arms

■ The prime minister's bid for more open government clearly has some way to go when it comes to arms sales. Last year John Major strongly backed plans for a UN register on which all significant exports of weapons would be declared.

But the Ministry of Defence was not keen to advertise last Friday's arrival of its big-spending guest Mohammed Najib Tun Abdul Razak, Malaysia's defence minister. His country has bought more than £1bn of British arms in the past three years and hasn't finished spending. Having been spirited off to a helicopter show in Middle Wallop, the visitor and his plans to meet ministers and industry had to be acknowledged – albeit 12 hours later.

Memo to Britain's top brass: to keep such visits secret, urge the customer not to arrive on the same flight from Jakarta as the Duchess of York.

Know the drill

■ Advice of a polished after-dinner speaker to a novice: "If you don't strike oil within 10 minutes, stop boring."

FINANCIAL TIMES
Tuesday May 12 1992

No shelter from Bosnian battle

Judy Dempsey on the three wars raging in the former Yugoslav republic

LAST SUNDAY, hundreds of children were evacuated to Moscow from Sarajevo, the capital of Bosnia-Hercegovina. As they boarded buses, amid shelling and sniper fire, their mothers started sobbing, not knowing if they would ever see their families again.

In Bosnia, there is no shelter for children even in towns and villages. As Serb irregulars, backed by the Yugoslav army, pound the capital with mortar and artillery, two other wars are raging elsewhere in the republic.

In the north of Bosnia, Croat and Serb forces are fighting it out at Bosanski Brod, a swathe of territory which runs along the river Sava and borders Serbia and Croatia.

Control of this region is crucial for the governments of Croatia and Serbia. If President Slobodan Milosevic of Serbia captures it, he will be able to link up with the eastern parts of Croatia, still in the hands of the federal army, and Serb militants.

Moreover, victory at Bosanski Brod would eventually allow Serbia to link the self-proclaimed, Serb-inhabited republic of Krajina, in south-west Croatia, with eastern Croatia. The creation of a Greater Serbia would then be within grasp of Milosevic.

Another equally bloody war is taking place in Hercegovina in south-west Bosnia. The region is inhabited largely by Croats, and by Moslems and Serbs. Croatia's National Guard, deployed along territory between the Adriatic coast and Bosnia, is determined to defend fellow-Croats.

Croatian nationalists want this part of Hercegovina annexed to Croatia. But the war is turning the beautiful old Turkish city of Mostar, the capital of Hercegovina, into a second Vukovar – the Croatian city which the Serb army and irregulars flattened to the ground last year.

Bosnia's Serb and Croat leaders last week held secret talks in the Austrian city of Graz. The negotiations, backed by Croatian president Franjo Tudjman and Mr Milosevic, discussed how Bosnia-Hercegovina would be divided between them.

The Moslems, who make up 44 per cent of the republic's 4.3m population, had no say in the talks. Any carve-up of the republic would not only leave them without a homeland, it would also put paid to pledges by both presidents to recognise the inviolability of the borders of the former Yugoslavia.

Bosnia's Croat and Serb leaders have already started arguing over the plan, which involves dividing Sarajevo, as well as ceding parts of Hercegovina to Croatia and northern parts of Bosnia to Serbia. Serbia insists on keeping control of the valley south of the river Neretva, on which Mostar is built – there are sizeable arms production enterprises here. If it does, the medieval Croatian city of Dubrovnik, south-west of Mostar, would probably be cut off from Croatia.

A victory at Mostar is important for the Croats, but it is not in sight. At the weekend, Belgrade started deploying the federal army's elite paratroop corps into the region.

The fighting in these two areas of Bosnia-Hercegovina has taken a terrible toll on the population. Since Bosnia's independence was recognised by the international community six weeks ago, over 300,000 people have been displaced, 1,300 have been killed, and 350,000 have fled the republic. In Sarajevo, as the federal army and Serb irregulars lay siege to the city, starving Moslems, Serbs and Croats continue to defend their capital.

The Serbian leadership is determined to speed the capitulation of Sarajevo, and Bosnia. The purge of the army last week, in which 38 generals were replaced by young Serb officers, was aimed at isolating those generals who might have worried about unleashing its full fire-power on Bosnia, and who might have resented how Mr Milosevic's war aims have destroyed Yugoslavia.

But Mr Milosevic also wants Bosnia quickly pacified in case he needs the army to defend Serbia itself.

Serbia is not an ethnically homogenous republic. Over 200,000 Moslems live in the Sanjzak, a poor region which borders Bosnia and Montenegro, the tiny republic which supports Serbia. Already, thousands of Montenegrin reservists of the Yugoslav federal army have been dispatched to the Sanjzak to suppress any potential unrest.

A spark which inflames the Sanjzak could spread to the southern province of Kosovo, which in 1990 was forcibly integrated into Serbia. Over the past two years, Kosovo's ethnic Albanians, who make up 90 per cent of the population of 2m, have been living in a virtual police state controlled by Belgrade.

In the northern province of Vojvodina, which was also annexed by Serbia in 1990, the 380,000-strong Hungarian ethnic minority is now demanding that Serbia guarantees its rights, while the 80,000 Croats in Vojvodina want to hold a referendum on whether to remain in Serbia.

Thus, any uprising in the Sanjzak, Kosovo and Vojvodina would not only stretch the Yugoslav federal army but would also engulf Serbia in civil war.

THE LEX COLUMN

The value of a name

It looks as though the Lloyd's of London insurance market could now have access to limited liability capital within two to three years, much earlier than the Rowland Task Force report expected. Counsel's opinion indicates that a new act of parliament will probably not be necessary to introduce corporate Names, though negotiations with the Department of Trade and Industry and overseas regulators over the solvency implications of this could yet be protracted.

With Lloyd's results for 1989 set to make gruesome reading next month, it could be that the much publicised flight of individuals will indeed jeopardise the long-term growth of the market. It would, though, be unwise for Lloyd's hastily to abandon a system that has served it well for nearly 300 years, and not just because of the unwelcome scrutiny that some of the sleepier syndicates would suffer. The reason lies in one explanation of a Hoare Govett survey last week suggesting that since the 1950s Lloyd's has generally produced higher profit margins than leading UK and US insurance companies. The argument is that Lloyd's big advantage is a more stable capital base than the companies', which holds true even through the nightmare years. While the market capitalisation of the five leading UK composites between end-1989 and end-1991 fell from £11bn to £6bn, for instance, the Lloyd's market capital contracted by only £1bn to £10bn.

Part of this is the three-year accounting period, which bars quick exits. Part of it, though, may lie in the psychology of the private investor, who is less given to rushing for the door when the going gets rough. The trick in a business like insurance is to be in a position to take advantage when the cycle turns. Lloyd's could obviously do with some spare corporate capital at the moment, but it might reflect that in the long run, institutions tend to be more fickle investors.

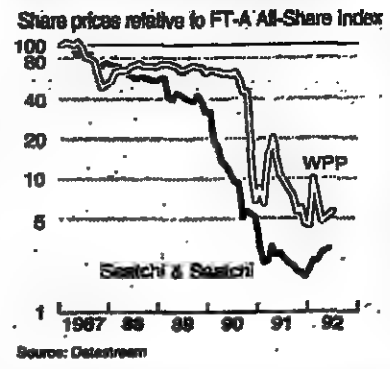
WPP

By the standards of really big banking disasters, WPP is perhaps small beer. But its financial reconstruction, formally announced yesterday, bears the authentic scars of the 1980s. The deal is that the banks should write off $250m of debt in exchange for 55 per cent of a company with a net worth – even after the reconstruction – of rather less than zero. The stake owned by ordinary shareholders will fall from two thirds to 14 per cent. Holders of the convertible stock will see their equity entitlement fall from 34 per cent to 29 per cent. Since they presently control 80 per cent of the votes as a result of WPP's failure to pay preference dividends, they may well grumble about that. But as the banks will doubtless point out to them, in a worthless entity like WPP the concept of democracy scarcely applies.

FT-SE Index: 2737.8 (+12.1)

Advertising Agencies

Share prices relative to FT-A All-Share index



Source: Datastream

The most curious aspect of the deal is perhaps its timing. In the month since the UK election, shares in Saatchi & Saatchi – which went through the same process of reconstruction just over a year ago – have risen by 66 per cent. Other media stocks such as Reed and Pearson have also risen, if less sharply. The recovery in advertising revenues on either side of the Atlantic is patchy and uncertain. But it almost seems as if WPP's banks, while writing off their mistakes in the lending game, have taken to playing the equity market instead.

UK economy

After yesterday's consumer credit figures for March, the pre-election picture of the UK economy is reassuringly complete. Even while sales were taking a temporary turn for the better in February, credit advances were slowing down. Retail sales were soft in the weeks before polling day because consumers had neither the need nor the inclination to borrow. It was scarcely surprising, then, that first-quarter figures for personal bank loans showed a reversal of the small increase in borrowing during the run-up to Christmas.

More generally, it is perhaps worth asking whether the drift away from the use of credit by consumers means the series in question is an early candidate for rationalisation by the new boss of the Central Statistical Office. Arguably the broader credit series and monetary aggregates tell the same story more fully.

But the more pressing problem is to divine what has been happening since the election. Statisticians and economists alike are waiting to see whether March's erratically soft numbers will be followed by an equally unreliable rebound. Hence the greater attention being paid to forward indicators such as consumer and business confidence. The Confederation of British Industry's survey of small companies provided welcome evidence that optimism has begun to permeate the lower reaches of the corporate sector. Equally, it suggested a degree of scepticism among managers about the pace of recovery. While orders are expected to increase, there will be only a modest rise in output. If nothing else, it looks as if high unemployment will be around for a while yet.

Hanson

There was something comically predictable about yesterday's talk in the London market of a bid from Hanson. The assumption was that because Hanson has failed to get anywhere with ICI, it is bent on making the same mistake with a fresh target. The idea of a bid for BP may have been regarded as slightly far-fetched. But there was plenty of enthusiasm for Blue Circle, English China Clays, Allied-Lyons and Cadbury Schweppes. One wonders why the market was not equally excited by BTR's sale of its stake in Pilkington. Why should Hanson not now bid for Pilkington and BTR for ICI?

This is not to dismiss the possibility of Hanson making a purchase which would count as big by normal standards. Rumours of its interest in German cranes or French cement would be consistent with the picture of a group seeking to strengthen its portfolio through agreed deals. But Hanson is in transition, with different and slightly confusing signals coming from the new management and the old, from the UK and the US. Perhaps the best that can be said is that its range of preferred industries seems to be shrinking rather than expanding, and that in today's markets it seems unlikely to pay the premium required for control in a bid battle.

Presidential card (from left): Giulio Andreotti, Bettino Craxi – now out of the race – Giovanni Spadolini, Arnaldo Forlani

Political parties try to agree on a candidate before tomorrow's vote

Italians at odds over next president

By Robert Graham in Rome

ITALY'S political parties yesterday intensified their efforts to agree on a presidential candidate before tomorrow's parliamentary vote.

Since Mr Francesco Cossiga resigned as the country's eighth president on April 25, the main parties have been torn by internal divisions and doubts about who should become head of state when the two houses of parliament, plus 58 delegates from regional councils, meet to vote tomorrow.

The politicians are having to take account of the profound public disaffection with the Italian political system and demands for serious institutional reform shown by the vote in the general election of April 5.

This has made it difficult for the outgoing coalition of Christian Democrats, Socialists, Social Democrats and Liberals to push through their own candidate without a broader consensus.

The Christian Democrats, as the largest parliamentary party and with a strong claim to the presidency, have come under pressure to make the first move. However, they have been shaken by the general election when their vote fell below 30 per cent for the first time.

Much of the blame has fallen on the the party's two heavyweight contenders – Mr Giulio Andreotti, the outgoing premier, and Mr Arnaldo Forlani, the party secretary.

Before the general election, Mr Andreotti had made it clear that the presidency was the last great office he had not held, and his candidacy would be a fitting conclusion to more than 40 years in politics.

The Socialists for their part have been badly tainted by the municipal corruption scandal in Milan, the power base of the party leader, Mr Bettino Craxi. The alleged heavy involvement of the Socialists in the channelling of funds from rigged contracts to political parties has damaged Mr Craxi and last night led to the resignation of Mr Piero Borghini, the city's mayor, and the municipal council.

In what appeared to be an acknowledgement that he was out of the running, Mr Craxi nominated Giuliano Vassalli, a former Socialist justice minister and current member of the constitutional court, to be the party's candidate for Italian president.

Whatever deal is reached, it is likely to be part of a broader arrangement over the formation of a new government. The main parties may be willing to let a lesser figure or someone from a minor party hold the office.

There are three other Christian Democrat possibilities: Mr Ciriaco de Mita, party president and former prime minister; Mr Oscar Luigi Scalfaro, recently elected leader of the Chamber of Deputies; and Ms Tina Anselmi, a veteran parliamentarian with substantial cross-party support.

Mr Giovanni Spadolini, the republic's interim president, must stand a good chance. As a former prime minister he is a skilful political consensus builder and has a good public image as an amiable father-figure. The Party of the Democratic Left (former Communist party) is proposing Ms Nilde Iotti, for 11 years leader of the Chamber of Deputies.

Of the outsiders, the best known is octogenarian leftwing philosopher Mr Norberto Bobbio. But Mr Cossiga is also on the sidelines ready to be recalled.

In the first three votes a two-thirds majority is necessary; thereafter a simple majority. On previous occasions such has been the disagreement that the voting has gone to 23 sessions.

Mandela warns on threat to South African stability

Continued from Page 1

"We have no intention of staging any showdowns. We are going there with a spirit of reconciliation, wanting that something should come out of the meeting."

The government had moved its position on some key issues, Mr Mandela noted. "They were against the idea of an interim government, and a constituent assembly to draw up a new constitution – now they've accepted it." But he went on to accuse Mr de Klerk of "clinging to the levers of power".

The ANC envisaged a bill of rights, a national assembly elected on the basis of proportional representation under a multi-party constitution that required a two-thirds majority for any fundamental change.

"We are very concerned that the first government should be seen to represent everybody, and should inspire confidence among all groups in the country," he said. "But what we are not prepared to do is to give a minority of less than 15 per cent of the population the right to veto decisions of the majority ... that is what Mr de Klerk wants, and that we cannot accept."

Political violence was an attempt "to destabilise the ANC", Mr Mandela said. "It seems clear to us that the idea is to prevent [the election of] a democratic government dominated by the ANC."

Looking ahead to the resumption of Codesa talks on Friday, Mr Mandela said that "problems have arisen, some serious enough to destabilise the discussions".

"For one reason or other, government was not acting" to curb the violence that has left 13,000 dead in the past four years.

World Weather

		°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Boulogne	S	12	54	Frankfurt	R	11	52
Algiers	S	26	79	Brussels	F	10	50	Geneva	S	15	59
Amsterdam	F	13	55	Budapest	F	24	75	Gibraltar	S	25	77
Athens	S	23	73	Buenos Aires	C	19	66	Glasgow	F	11	52
Bahrain	S	21	70	Cairo	S	25	77	Helsinki	R	10	50
Bangkok	F	37	99	Cape Town	S	27	81	Hong Kong	F	20	68
Barcelona	S	19	66	Caracas	C	28	82	Innsbruck	C	20	68
Beijing	S	23	73	Casablanca †	S	19	66	Inverness	S	9	48
Beirut	F	20	68	Chicago †		–	–	Islamabad	F	36	97
Belfast	F	10	50	Cologne	C	13	55	Istanbul	S	23	73
Belgrade	S	29	84	Copenhagen	F	10	50	Jakarta	R	32	90
Berlin	C	11	52	Corfu	S	24	75	Johannesburg	S	27	81
Biarritz	F	16	61	Dallas †	C	22	72	Lisbon	S	21	70
Bombay	S	30	86	Dublin	F	12	54	London	S	18	65
Bordeaux	F	17	63	Dubrovnik		–	–	Los Angeles †	C	18	64
				Edinburgh	F	11	52	Luxembourg	C	9	48
				Faro	S	22	72	Madeira	C	19	66
				Florence	F	23	73	Madrid	S	25	77

		°C	°F			°C	°F			°C	°F
Majorca	S	25	77	Oporto	S	17	63	Tenerife	F	20	68
Malaga	S	30	86	Oslo	F	12	54	Tokyo	C	22	72
Malta	C	22	72	Paris	C	13	55	Toronto †	S	14	57
Manila	C	35	95	Prague	F	11	52	Tunis	S	24	75
Melbourne	S	20	68	Reykjavik	F	5	41	Valencia	S	22	72
Mexico City	R	20	68	Rhodes	S	22	72	Venice	F	23	73
Miami †	S	22	72	Rio d'Janeiro	C	31	88	Vienna	S	23	73
Milan	F	23	73	Rome	S	20	68	Warsaw	F	13	55
Montreal †	S	10	50	Salzburg	T	14	57	Washington †	F	17	63
Moscow	R	10	50	S'Francisco †	S	16	61	Zurich	F	14	57
Munich	R	15	59	Seoul	S	17	63				
Nairobi		–	–	Singapore	F	32	90				
Naples	S	23	73	Stockholm	F	12	54				
Nassau	R	28	82	Strasbourg	C	13	55				
New Delhi		–	–	Sydney	C	23	73				
New York †	S	14	57	Taipei	C	25	77				
Nice	S	20	68	Tangier	S	20	68				
Nicosia	S	21	70	Tel Aviv	C	23	73				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

Wasserstein pays Interco $18m settlement

Investment bank refuses to admit liability for advice given to furniture maker, writes Nikki Tait

WASSERSTEIN Perella, the US investment banking business set up by two prominent Wall Street bid advisers in 1988, has agreed to pay $18.25m to Interco, in settlement of legal action brought against it by the St Louis-based furniture and shoe manufacturer.

Wasserstein maintains that it has no liability to Interco, to whom it gave investment banking advice in the late-1980s. It said that the settlement "reflects growing concerns as to the unpredictability of the outcome of jury trials, regardless of the merits of the case".

Formed by Mr Joseph Perella and Mr Bruce Wasserstein, two high-fliers previously with the First Boston investment bank, Wasserstein ranked third in the merger and acquisition league tables in 1989, according to Securities Data. It had slipped to 12th place last year, and came 15th in the first quarter of 1992.

Interco had brought legal action against Wasserstein as a result of advice received at the end of the 1980s. The company "recapitalised" in 1988, in an attempt to avoid a hostile takeover. This involved Interco taking on a large amount of debt and paying special dividends to shareholders.

The company subsequently sought protection under Chapter 11 of the US Bankruptcy Code, after asset sales failed to generate as much money as projected, and earnings fell short of forecasts.

Interco sued Wasserstein Perella in January 1991 claiming that Wasserstein had delayed the sale of its Ethan Allen furniture subsidiary, and caused it to accept a lower price. The suit originally asked for $109m, plus punitive damages.

In March last year, an "examiner" – a bankruptcy and creditors' rights lawyer – was asked by the Bankruptcy Court to consider whether the recapitalisation gave rise to possible legal claims by the company and creditors' against Wasserstein.

In her report, the examiner said the $2.8bn recapitalisation did render Interco insolvent, and that there had, therefore, been a fraudulent conveyance of assets. But she spread the blame widely, effectively exonerating Wasserstein on the grounds that company officials has misled it.

"They [Wasserstein] performed their services at a level that was acceptable by investment banking industry standards," she said, adding that "their real problem was that they were not given complete information from the company". Her report did not address the Ethan Allen issue in any detail.

No claims were subsequently brought against Wasserstein Perella over the recapitalisation.

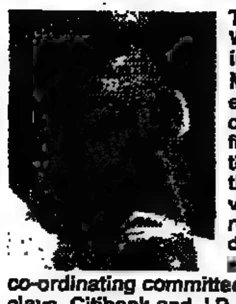
The Ethan Allen suit alleged that Wasserstein "failed and refused" to execute a fairness opinion which would have allowed a proposed sale of the subsidiary in 1988 for $475m to go ahead. The business was sold for $385.5m in 1989.

INSIDE

BIS reports 50% drop in 1991 new lending

The international financial system generated $255bn of new lending last year, less than half of the $550bn of 1990, according to figures published in the Bank for International Settlements quarterly review. The final quarter of last year witnessed a slight recovery in bank lending, with new lending of $30bn double the previous quarter. Page 25

No move to oust Sorrell

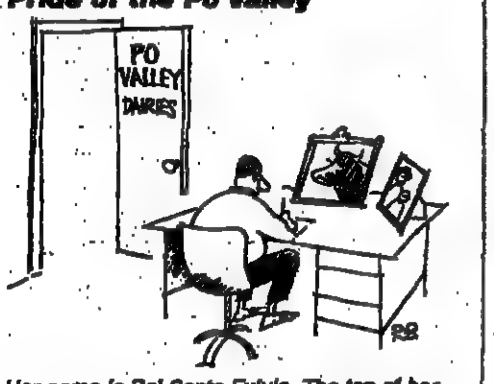


The suggestion that WPP's banks are seeking the removal of Mr Martin Sorrell, chief executive (left), as part of the price for a new financing package for the troubled international marketing services group, was roundly denied yesterday. Last week, WPP announced that the co-ordinating committee – Bankers Trust, Barclays, Citibank and J.P. Morgan – of its 28 banking syndicate, had agreed in principle to a rights issue, the proceeds of which would be used to reduce the group's debt. Page 27, and Lex, Page 20

Big shake-up for National stores

Matsushita Electric Industrial, Japan's leading consumer electronics group, is restructuring its network of 27,000 small "mom and pop" stores called National shops after the Matsushita's domestic brand name. The company's move comes at a time when Japanese electronics companies are facing sluggish demand due to slowing growth in both its overseas and domestic markets. Page 23

Pride of the Po valley



Her name is Del Santo Fulvia. The top of her head is more than six feet off the ground. Last week she was not being milked because she was heavily pregnant with her fifth calf. In her fourth lactation she gave 13,600 litres of milk and she was one of the best cows in the Po valley. Page 30

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)							
Rises				**Rises**			
Hapag Lloyd	567	+	12	Merlin-Gerin	582	+	33
Porsche	618	+	9	Nord Est	119.9	+	9.9
Falls				Schneider	745	+	38
Continental AG	264	–	7	Salinag	461.9	+	15.9
Hochtief	1249	–	23	UFB Locabail	349	+	19
Karstadt	618	–	9	**Falls**			
Lahmeyer	775	–	10	Hachette	141	–	7.4
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
IBM	93 7/8	+	5/8	Akai Electric	662	+	100
May Dept Stores	55 7/8	+	3/8	Ino Kaim	799	+	99
Seagate Tech	16 5/8	+	7/8	Japan Metals	706	+	100
Wal-Mart	53	+	1	Nippon Denko	474	+	59
Falls				Taiyo Sanso	615	+	100
Gen Motors	39 7/8	–	1/2	**Falls**			
Microsoft	114	–	1/2	Sekisui Chem	921	–	179
PARIS (FFr)							
LONDON (Pence)							
Rises				Sherwood Comp	269	+	20
AIM	192	+	16	Sherwood Grp	186	+	14
Betterware	338	+	20	Sidlaw	296	+	18
Clinton Cards	124	+	9	Slim Radio	88	+	15
Dinkie Heel	23	+	7	Tomkinsons	297	+	16
French (Thos)	65	+	7	Unitech	181	+	18
Gibbs Dandy A	35	+	15	WPP	60	+	13
Gowrings	48	+	9	Wiltshier	21	+	4
Hardy Oil	120	+	8	**Falls**			
JLI	142	+	7				
Lambert How'th	428	+	33	Huntingdon Int	190	–	8
MTM	63	+	10	Lucas Inds	147	–	6
P & P	62	+	11	Taylor Woodrow	138	–	7
Parkland Text	173	+	20				

Nikki Tait on British steps to improve the quality of a US product

Bass finds running hotels is no holiday

The problems of running a predominantly franchised hotel chain through a US recession, with falling property values and a credit crunch, are proving less than a holiday for Bass, the UK hotel, brewer and leisure group.

Since it acquired the Holiday Inn brand in the US in a complex deal in August 1989, Bass has seen a dip in operating profits from its hotel division, become embroiled in a law suit, faced a ferocious competitive environment and struggled to persuade some franchisees to upgrade properties.

Nevertheless, the British owners, who have taken some firm steps in an attempt to cure Holiday Inn's problems, remain remarkably bullish. And, although it is probably too soon to judge whether such optimism is well-placed, the recent surge in the Bass share price, ahead of next week's interims, suggests certain followers are optimistic.

When Bass, which already owned Holiday Inn outside the US, acquired the brand in the US, it was displayed on almost 1,400 properties, mostly run by franchisees.

The consideration was almost $2bn, largely comprising the assumption of Holiday debt. Holiday's sister chain, Hampton Inn, along with the Harrah casinos and some other assets, were spun off to the group's former management, creating a new company called Promus.

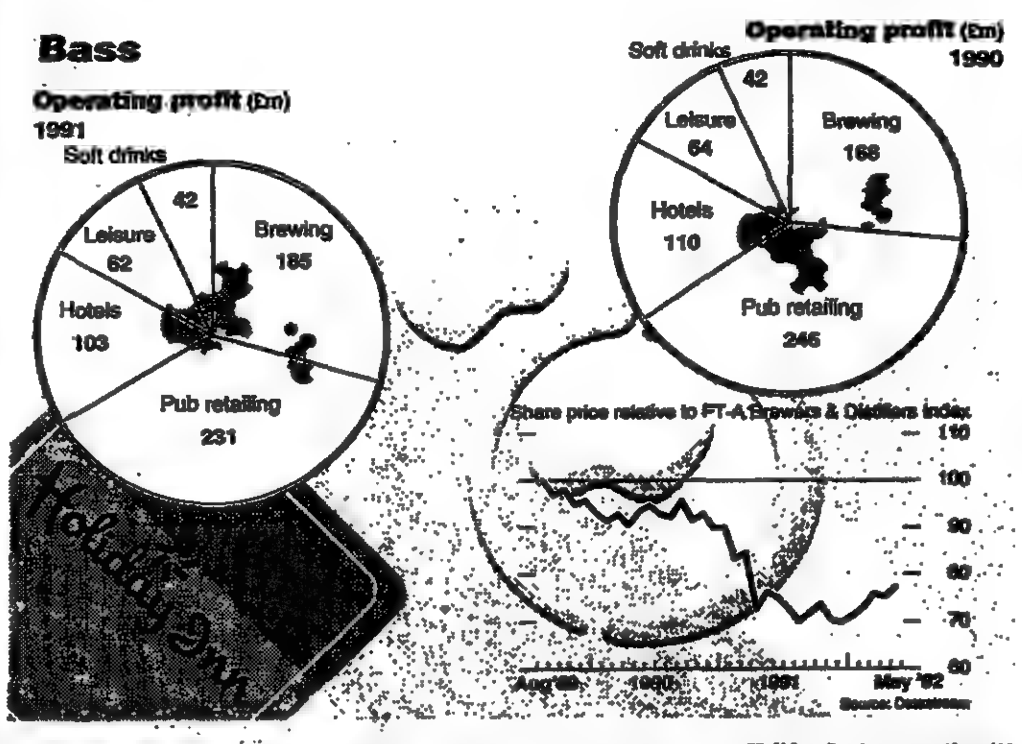
Bass's total operating profits from the hotel division slipped to £103m ($182m) in the 12 months to mid-1991, of which the US properties were reckoned to contribute between two-thirds and three-quarters – a paltry return, given the outlay. In London the Bass share price remained in the 460p-520p range throughout 1991.

Even in the current year, with the US economy improving, it has not been plain sailing. A share price rally was temporarily reversed following news of a lawsuit by Bass against Promus in February. This alleged misrepresentations by Promus at the time of the Holiday deal; breached warranties; and failure to adhere to a tax-sharing contract.

The US suit is thin on detail and both parties have declined to comment – although Bass tends to downplay the action, suggesting it is designed to keep all options open.

However, the complaints which can be gleaned from the documents are scarcely encouraging.

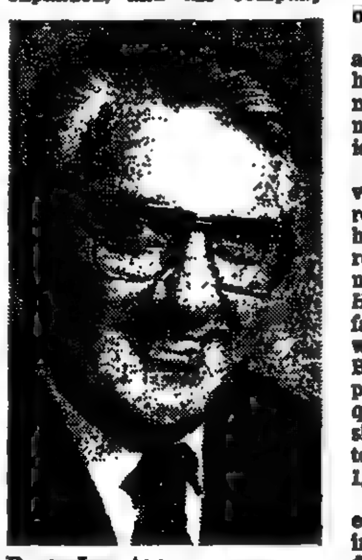
They include Promus's alleged failure to notify Bass about a Federal Trade Commission investigation into a now-discontinued Holiday subsidiary; the supposed refusal to execute an agreement which would have "cured" a default on a San Francisco Holiday Inn; Holiday's compliance with federal regulations covering underground fuel storage tanks; and Promus's alleged failure to make adequate provision for bad debts on a $50m loan by Holiday to VMS, owner of 24 hotels operated under the Holiday name.



So what has been going on with the world's largest hotel brand, during around two years of British ownership?

Holiday Inn was created 40 years ago by Mr Kemmons Wilson, a Memphis-based property man. Infuriated by the service he received at motels, he devised a formula designed to meet the requirements of travellers better. The first Holiday Inn opened outside Memphis in 1952.

By the 1970s, the chain had expanded, and the company began to concentrate on overseas growth. But management changed and the focus shifted to activities such as gaming.



Bryan Langton

Then, in the credit-easy 1980s, a wave of hotel building splintered the market, with growth focused on luxury hotels at one end and economy motels at the other. Holiday's management built up the Hampton Inn chain in response and introduced the upmarket Crowne Plaza line, but its core middle-market Holiday Inn seemed to languish. When ownership changed, Holiday Inn was not the best nurtured of brands.

The UK owner has taken action on two fronts.

The first centres on costs, and a streamlining of activities. Bass has sliced off some non-core businesses, for example, such as the manufacturing section of the Holiday Services division.

It has also overhauled the service facilities for franchisees, replacing regional staff with a head office service department; rewritten the bulky franchise manual; and closed down the Holiday Inn "university" in favour of training instructors who visit the properties. When Bass acquired the US brand 2,400 people were employed at its headquarters in Memphis. Bass shifted Holiday Inn's headquarters to Atlanta where just over 1,000 are now employed.

But this still leaves the toughest area, and one which worries investors most: quality standards. Bass says when it took over Holiday Inn's properties "80 per cent were in very reasonable condition", meaning several hundred were sub-standard.

A fairly tough battle seems to have ensued to persuade franchisees to upgrade their properties. More than 90 properties have dropped out of the Holiday Inn system since March 1990, although new franchisee signings, notably for a replacement downmarket chain under the "Holiday Express" title, have also taken place.

Meanwhile, the competitive environment has been ferocious.

The US recession coupled with the Gulf war left the country's lodging market awash with rooms. For example, Ramada, another middle-market hotel chain, launched a tough advertising campaign under the "Ramada's in, Holiday's out" theme, earlier this year. "Laughable", retorts Holiday, noting that some of its less prestigious properties are now run under the Ramada banner.

Nevertheless, the British owners are optimistic. They claim the quality problem is slowly righting itself. "It's an ongoing problem but it is being solved," says Mr Bryan Langton, chairman of Holiday Inn Worldwide.

Holiday, which has traditionally enjoyed higher-than-average room rates and occupancy levels, also claims it increased this premium against middle-market competitors in 1991, in spite of the soft underlying market and competitive conditions.

Some franchisees are supportive: "Bass is raising the standard and there's good open communication," says one. "If there's a negative, it's that a lot of people have left who knew the brand."

But competition in the US lodging market is still intense and even Bass admits it may take longer to change US consumers' perceptions of the chain.

Perhaps the most encouraging sign is that Holiday is ploughing ahead with plans to raise franchise fees. Traditionally, Holiday Inn franchisees have paid more than 4 per cent of room revenues to the brand owner. Since February, Holiday has insisted on 5 per cent for all new franchisees.

It has also begun to offer existing franchisees, whose contracts come up for renewal, another two years at the 4 per cent rate, and then a switch on to 5 per cent.

The advantage for Holiday, says Mr Langton, is that about 40 per cent of franchisee contracts fall due during the next five years.

Hanson says Krupp crane sale is too dear

By Roland Rudd in London and Christopher Parkes in Bonn

HANSON, the Anglo-US conglomerate, has told Krupp, the German steel and engineering business, that it is not willing to pay the £250m ($447.6m) price tag for Krupp's loss-making crane business.

According to one of Hanson's financial advisers, preliminary talks took place between the two companies but came to nothing.

Hanson is still expected to make its next big acquisition in the US, although the group remains interested in expanding in Europe and is looking at possible opportunities.

Mr Derek Bonham, Hanson's newly appointed chief executive, believes it is important for Hanson to branch out of its traditional Anglo-American markets but only at the right price.

Krupp's crane making business was seen as a possible bolt-on acquisition to Hanson Grove Industries, which boasts the largest hydraulic crane manufacturer in the world.

However, according to a Hanson adviser, the group was not prepared to pay "anything near" the £250m asked by Krupp for its crane business. Krupp yesterday confirmed that it was in "co-operation" talks with foreign companies about the future of the loss-making business.

A spokesman said the group was also undertaking a large internal restructuring programme. Mr Gerhard Cromme, chairman, said the mobile crane business was the only part of Krupp's plant building division which failed to break even, and the market was expected to continue downward.

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European airlines battle for stake in Hungarian carrier

By Nicholas Denton in Budapest

BRITISH Airways, Lufthansa and KLM Royal Dutch Airlines have all emerged as the leading contenders to acquire a minority stake in Malev, the Hungarian national airline.

The contest between the three big European carriers to forge an equity partnership with Malev is at a critical stage. Price negotiations between the candidates and the Hungarian authorities are to start later this month with Hungary hoping to complete a deal by the middle of this year.

The deal, for about 35 per cent of the Hungarian carrier, would lead to a partial privatisation and strengthen it financially and operationally through a partnership with a big western airline.

The funds raised by the equity sale will help Malev fund its $400m estimated investment needs over the next two years. The airline is bringing two Boeing 767-200 aircraft into service for routes to North America and Asia and is linking up to international computer booking systems.

The European Bank for Reconstruction and Development is also evaluating an equity participation in Malev alongside the winning bidder.

Credit Suisse First Boston, the investment bank, is acting for the Hungarian authorities which will retain majority control for now.

The attractions of Malev include one of the most modern and profitable fleets in eastern Europe and access to Budapest's Ferihegy airport. The airport is at the geographical heart of eastern Europe and could emerge as an important hub.

The proposed Malev transaction is similar to the recent investment by a consortium including Air France and the EBRD in CSA, the Czechoslovak state carrier. Air France and its partners agreed to invest the equivalent of $60m for a 40 per cent shareholding of CSA. But Air France itself put up only $5m in cash.

Investment bankers hope the terms of the western bid will be better than that for CSA. However, there has been some disappointment that US and Asian airlines dropped out of the Malev competition.

A US official said investment by a state-owned company such as Air France did not amount to privatisation, ran counter to the EBRD's mandate of encouraging the private sector in eastern Europe, and therefore should not be repeated.

In 1991, Malev's lack of long-haul routes enabled it to emerge relatively unscathed from the decline of overseas traffic caused by the Gulf war.

The airline's pre-tax profits rose 57 per cent in 1991 to Ft2.09bn ($26.5m).

Continental proposes rights issue

By Haig Simonian in Milan

THE BATTLE of wills between Pirelli and Continental may reach a turning point following Continental's decision yesterday to propose a DM150m ($90m) rights issue.

Pirelli, the Italian tyres and cables group, still owns 5 per cent of Continental's shares and has call options over 34 per cent more after last year's unsuccessful takeover attempt.

Senior executives at Pirelli, which is headed by Mr Marco Tronchetti Provera, said they were waiting to see the terms of Continental's proposed capital increase before deciding their own strategy. The German company's plan must be approved by shareholders on July 3 before going ahead.

A top executive said Pirelli did not consider the move, which has been rumoured for some time, as hostile. Relations between the two companies "were neither positive nor negative" at present. "I don't think it's against us," he said.

Analysts have suggested that Continental's capital increase may be part of a plan to buy some of Pirelli's businesses which are now for sale. Continental is believed to be particularly interested in Pirelli's Munich-based Metzeler auto components arm.

Using cash from a rights issue – part of it possibly coming from Pirelli itself – for the purchase would be a neat turning of the tables for Continental. In September 1990 it faced a takeover proposal by Pirelli which appeared to require it to issue large amounts of debt to finance Pirelli's own plans.

Whatever the outcome of the capital increase, both companies are now concentrating on restructuring. Announcing audited net losses of L729bn ($586m) last year, or L622bn after minority interests, Pirelli said its tyre activities had broken even so far this year.

The improvement came largely thanks to heavy cost cutting, which involved the loss of 6,000 jobs and closure of a number of factories. However, the Pirelli executive said earnings had also been helped by "some slight improvement" in tyre prices. After three years of vicious price wars between manufacturers, "we've reached a bottom from which we can start to rise", he noted. The company hopes that further cost-saving will return the tyres business to profit in 1992.

Pirelli is also advancing with the disposal of its diversified products division, which accounts for around 17 per cent of turnover. Negotiations on selling four of the seven "business units" into which the division has been split are reaching a second, conclusive, phase.

The four business units, which together have turnover of L1,200bn, produce anti-vibration systems, automobile profiles, hoses and assemblies, and power transmissions. Numerous offers had been received for all the businesses by the end-April closing date, and Pirelli executives are now sifting through the bids.

The offers will be reduced to a maximum of four for each business unit. Those selected will then be given access to detailed financial information, and be permitted factory visits.

All the offers have included indicative prices. However, the Pirelli executive said it would still be some time before the first deal was announced, as the selection would be complex and further clarification was necessary in some cases.

BTR sells its 4.1% stake in Pilkington

By Roland Rudd in London

BTR, the industrial conglomerate, yesterday sold its 4.1 per cent stake in Pilkington, the UK glass-maker. The deal formally brings to an end its takeover hopes, which began with its unsuccessful £1.16bn ($2.05bn) bid almost five years ago.

The 31m shares were sold at 161p a share to stockbroker, Barclays de Zoete Wedd, which believed BTR was keen to sell the Pilkington shareholding.

BTR's interest in the glass group originated with its contentious bid in November 1986. The conglomerate increased its Pilkington holding in 1987 and 1990.

However, since it acquired Hawker Siddeley, the British engineering group which it won in a £1.55bn takeover last November, it lost interest in using its Pilkington holding as a platform for a possible bid.

The deal is worth around £50m, from which BTR will make a small above-the-line profit, which will help reduce gearing, as it has pledged.

BZW yesterday sold just over half of its Pilkington holding for 162½p a share.

BTR's sale is the latest in a long line of bought deals. Hanson last week sold its 2.8 per cent shareholding in Imperial Chemical Industries to Goldman Sachs.

A financier with a close knowledge of BTR said Mr Alan Jackson, chief executive, did not believe in holding shares purely for investment.

Mr Jackson, an Australian, earned a reputation as a formidable dealmaker during a long stint at the head of BTR Nylex, the group's antipodean offshoot.

The financier said: "Mr Jackson's skill lies in deal-making, not stock market gambling. Once BTR decided that the group would definitely not bid for Pilkington a decision was made to sell the shares."

Pilkington, which makes glass for both the construction and automotive industries, has suffered badly in the recession in the UK and North America.

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Mercedes plans shake-up of German operations

MERCEDES-BENZ, the automotive subsidiary of Daimler-Benz, plans to reorganise its German operations into between 20 and 25 decentralised units. The move is designed to sharpen performance and slash costs, Reuter reports from Hanover.

Mr Helmut Werner, a director of Mercedes and its next chief executive, said management would set the course this year by creating enterprises – types of profit centres – able to react faster to shifts in the market.

"We will segmentise the company into independent units," Mr Werner said. He expects the changes to narrow the gap in production costs between Mercedes and its Japanese competitors.

"It should help reduce the gap which we have in our production costs. The gap is 35 per cent. We probably can close more than half, say two thirds of this gap," he said.

Each of the units will have its own management and all the facilities required to run an independent business, he said. Although the enterprises would be given a greater degree of freedom to sell products directly to the market, it would not result in splitting Mercedes into a multitude of joint stock companies, he said.

"It will be less important for us whether the supplier is internal or external," Mr Werner added.

Over the last few years Mercedes, like other German carmakers, has increased the amount of parts purchased from suppliers in other countries with lower wage costs.

The decentralisation is a key part of Mercedes' plan to raise its productivity by introducing "lean management", which would trim administration at its Stuttgart headquarters, and to introduce new working practices.

"Simply put, we are too expensive," Mr Werner Niefer, the present head of Mercedes, said last week, referring to production costs.

Mercedes, which employs around 180,000 people in Germany, has also been considering job reductions, which could total up to 20,000 in the next few years. It has said it intends to avoid redundancies.

MMB shares suspended by bourse

By William Dawkins in Paris

FRENCH stock exchange authorities yesterday suspended trading in the shares of MMB, a holding company which controls Hachette, the media group, and Matra, the defence electronics to transport company.

The Société des Bourses Françaises (SBF) gave no reason for the suspension, which lasts until Wednesday. However, an MMB spokesman said it was to calm the market in MMB shares after the price had jumped more than the 10 per cent daily maximum at which a suspension is triggered.

Speculation in MMB's shares has been intense since last week's announcement that Hachette and Matra were to merge by the end of the year. The two operating companies' share prices have also risen steeply since then.

As part of the project, MMB is to be transformed from a normal company into a *société en commandite par actions*, an unlimited share partnership. This is a way of locking up control of the group and making it nearly invulnerable to hostile bids.

Midland faces bid battle setback

By Robert Peston in London

MIDLAND Bank is expected to lose the first round of its fight to prevent its rival Lloyds from obtaining access to detailed information on its finances.

The executive of the Takeover Panel, the City's arbiter of bid tactics, is likely to rule that Midland should provide Lloyds with financial information which Midland has already given to Hongkong and Shanghai Banking Corporation. A decision could be made today.

However, Midland is likely to make an appeal to the Panel's full council if the decision goes against it.

Nonetheless, the Panel's executive is understood to have accepted Lloyds' argument that it is a "bona fide potential offeror" under the terms of the takeover code. If that is the case, then Lloyds has the right to receive information on Midland which any other bidder for Midland has received.

Hongkong Bank, which has made a formal takeover offer for Midland, has access to Midland's accounts. It has been a 15 per cent shareholder in Midland since 1987 and as a result it knows Midland well. In addition, it carried out a detailed financial investigation of Midland, a process known as "due diligence", before making its bid.

Midland has refused to give the same information to Lloyds. LLoyds has said it will bid for Midland, subject to two preconditions, but it has not made a formal offer. Midland is concerned that Lloyds will never make a formal takeover offer. Midland views Lloyds as an arch-rival and is afraid that its business could be damaged if it gave Lloyds commercially valuable information.

One of the two preconditions to a Lloyds bid is that it should receive all information on Midland which Hongkong Bank has received since January 1, 1992.

The other pre-condition is that either Lloyds must be satisfied that its proposed offer will not be referred for scrutiny by the Monopolies and Mergers Commission, the UK competition authority, or that Hongkong Bank's bid will be referred if Lloyds' bid is.

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Unidanmark expects loss in first half

By Hilary Barnes in Copenhagen

UNIDANMARK, Denmark's second largest banking group, expects a first-half loss this year, weak conditions in the bond and share markets since the end of last year and continued difficulties in the domestic business sector, Mr Jens Chr. Kirketerp Jensen, the chairman, said yesterday.

Standard & Poor's, the US credit rating agency, said that it was reaffirming the bank's A1 Eurocommercial paper rating. The rating has been on credit watch since February 24.

The bank has made substantial losses on involvement in London's Docklands, the commercial and residential development in east London.

"Not only has the market and the economy collapsed. The promises of improvements in the infrastructure in the area were not met either," he said.

The bank reported a DKr1.6bn ($251m) loss in 1991 after making large bad loan provisions.

Hapag-Lloyd pays more after sharp rise

By David Waller in Frankfurt

PRE-TAX profits at Hapag-Lloyd, the German shipping, airline and travel group, improved dramatically last year, rising to DM140m ($84.8m) from DM41m in 1990. The dividend is to be increased to DM10 from DM8 per share.

The group is also proposing a rights issue, raising its authorised share capital by a nominal DM40m – an increase of a third on existing share capital of DM120m.

Hapag-Lloyd said that the aim of the issue was to secure funds for further investment in growth areas of its business. Details will be fixed at the date the new shares are issued following the shareholders' meeting on June 22.

The company warned that operating profits would probably fall this year because of declining returns in the shipping sector, the group's biggest business.

Mr Hans Jakob Kruse, chairman, said the central reason for the turnround in group profits last year was the recovery in the liner shipping division, accounting for 57 per cent of group total sales of DM3.66bn last year. This was due to "substantial improvements in cost structures".

The chairman said the shipping division's returns were still inadequate in view of the heavy capital tied up in ships and containers, and forecast that the business would remain vulnerable to declining trade growth rates and an over-supply of shipping space and weak freight rates. The trend during the current year would be markedly weaker, he said.

The tourism division, which accounted for turnover of DM1.2bn last year, almost a third of group turnover, had a good year in profits terms with a particularly good performance from the Hapag-Lloyd airline because of high seat-load factors.

Mr Kruse predicted that current year figures would be ahead of the 1991 result. Other activities – 10 per cent of group turnover – "made good progress".

Total revenues rose 6 per cent to DM3.7bn and operating profit and other income rose DM80m to DM546m last year.

Lufthansa losses continue in first quarter

By Andrew Fisher in Frankfurt

LUFTHANSA, the German airline, made a loss in the first quarter, continuing the poor financial trend which caused it to lose around DM400m ($250m) in 1991.

The company, which will give full details of its performance at its annual press conference on Thursday, declined to give the size of the loss or to comment on reports that this was also around DM400m.

Last year, the airline made a loss of DM475m in the first quarter, which was affected by the impact of the Gulf war. It recovered in the next two quarters but ended up with a loss for the full year, since the final quarter suffered from the weak state of the world economy.

Mr Jürgen Weber, chief executive, has said several times that the airline, which is 52 per cent state-owned, will have to take drastic action to improve its efficiency and cut costs. This will include shedding staff, improving the marketing effort, taking more aircraft out of service, and not taking delivery of some aircraft for which firm orders were due to be placed next year.

INTERNATIONAL COMPANIES AND FINANCE

Hughes to pay $450m for General Dynamics business

By Martin Dickson in New York

HUGHES Aircraft is paying $450m in stock to buy the missiles business of General Dynamics in an important realignment of the US missiles manufacturing sector.

General Dynamics, the second largest US defence contractor, announced last week it *intended to sell its missiles* operations as part of a programme to divest non-core assets. Hughes, a subsidiary of automotive manufacturer, General Motors, confirmed then it was negotiating to buy the business.

The deal will make Hughes one of the largest missiles manufacturers in the US, roughly the same size as Raytheon, which also tried to buy General Dynamics' business.

Hughes already employs *7,300 people* making the AMRAAM advanced medium range air-to-air missile, the Phoenix air-to-air missile, the Maverick air-to-ground missile and the TOW anti-tank missile.

The General Dynamics businesses employs 9,000 on programmes which include the Standard shipboard *surface-to-air missile*, the Stinger anti-aircraft missile and the Tomahawk sea-launched cruise missile.

The deal, which is likely to lead to job losses as the two businesses are consolidated, is one of the largest examples of the rationalisation in the US defence industry as it grapples with sharply reduced Pentagon spending on weapons systems.

Mr Michael Armstrong, chairman of Hughes, said the deal should have a favourable impact on earnings and would enhance the company's ability to be competitive in a wide range of missile systems.

The takeover, still subject to approval by the Defense Department and anti-trust regulators, involves Hughes issuing General Dynamics with some 21.5m of its GM Class H *common stock, which* General Dynamics would quickly sell off in a secondary offering. Hughes said the purchase was not expected to dilute Class H earnings per share.

Mr William Anders, chairman of General Dynamics, said the deal would allow his company to "build further financial *strength as we focus on* strengthening our four core defence businesses".

Wal-Mart pleases with 26% advance

By Nikki Tait in New York

WAL-MART Stores, the largest US retailer in sales terms, yesterday pleased investors with news of a 26 per cent increase in first-quarter profits, to $887m after tax.

Sales were up by a similar amount, at $11.7bn, in the *three months to the end of* April, helped in part by Wal-Mart's aggressive new stores programme. During the first quarter alone, it opened 15 new stores; expanded and relocated another 38; and added seven outlets to its Sam's Clubs chain of deep-discount wholesale stores.

The net addition of retail space during the first quarter totalled 3.89m sq ft. The expansion has taken the Wal-Mart chain of discount stores to 1,735 outlets, with a further 215 Sam's Clubs. A year ago, *the figures were 1,591 and 178* respectively.

At the earnings-per-share level, Wal-Mart made 34 cents *in the first quarter*, compared with 27 cents a year earlier. Its shares gained $1 to $53 on *the news yesterday.*

Mr David Glass, chief executive of the aggressive Arkansas-based group, said the figures reflected "excellent cost control and sales that consistently ran ahead of our plans".

He suggested the company was "well-positioned" to meet its sales and earnings *objectives for the rest of the* year.

Matsushita orders retail shake-up

Emiko Terazono examines the Japanese group's restructuring plan

Matsushita Electric Industrial, Japan's leading consumer electronics group which made its advanced washing machine and camcorder into domestic best-sellers through its extensive domestic distribution network, has started to restructure its retail system.

The restructuring comes at a time when Japanese electronics companies are facing slug*gish demand* due to *slowing* growth in both overseas and domestic markets. In the year ended March, Matsushita expects a 43 per cent pre-tax profits fall to Y340bn ($2.55bn).

The restructuring is part of a shift *in Matsushita's* strategy of mass-marketing cheap products. Instead, the company *intends to sharpen its focus on* "value added" products, which it will market as enhancements to consumers' quality of life. "The age of focusing on quantity and market share is over," says Mr Jiro Aoki, head of Matsushita's domestic business planning division.

Matsushita's retail network *consists of some 27,000 small* "mom and pop" stores called National shops after Matsushita's domestic brand name. This extensive network of shops offering only Matsushita products has been the underlying strength in the company's retailing power.

Matsushita has managed to *maintain a tight grip on its* retailers through a special savings scheme. A National shop owner is allowed to place on deposit 1 per cent of every wholesale purchase with Matsushita, which in turn pays the retailer 20 per cent interest on the deposit. At the end of March 1991, Matsushita held a *total of Y63.6bn in deposits* from National shops.

However, the once cozy relationship has become an increasing burden on Matsushita as the retailing power of the dealership has been undermined by larger discount stores. Some of the retailers are finding it hard to attract *customers by offering only* Matsushita products.

The group also faces overseas pressure as the exclusive retail networks operated by Japanese electronics groups have become a target of criticism by US trade negotiators.

Matsushita's restructuring plan includes altering its *savings scheme over the next* three years and reforming the company's rebate system. The company intends to change the old savings scheme by reducing the interest benefits and setting more stringent requirements on retailers.

Only 50 to 60 per cent of *the existing National* shops are expected to have sufficient turnover to survive after the restructuring and the smaller stores, which are too small to purchase large quantities of stock from Matsushita, are expected to drop out of the network.

Meanwhile, Matsushita has set up a new system to assist its National shops through training programmes intended to enhance retailers' product knowledge and marketing skills. For the small retailers who feel they cannot compete alone, Matsushita will encourage mergers among the stores.

However, drastic changes are uncommon among Japanese companies, and reform of the Matsushita distribution network is expected to proceed at a gradual pace.

Mr Yutaka Sugiyama, an analyst at UBS Phillips & Drew in Tokyo, says that Matsushita first began restructuring its retail network in the mid-1980s, but reforms were delayed after domestic demand surged and profits rose. "If things start looking better, they may forget about current problems again," he adds.

Northwest Air stays in the red

By Nikki Tait in New York

NORTHWEST Airlines, the fourth largest carrier in the US *and one taken private via a $3.65bn leveraged buy-out* in 1989, made an after-tax loss of $44.5m in the first quarter of 1992.

This compared with the net loss of $61.6m in the same period a year earlier, when the *Gulf war seriously disrupted* traffic flows.

"While our first-quarter results reflected a *moderate* improvement from the Gulf war-depressed levels of 1991, this improvement fell far short of acceptable long-term performance targets," said John Dasburg, chief executive.

Northwest's results means the only big US carrier to show a profit in the first three months of 1992 was American Airlines, which turned in a tiny $20m surplus.

Mr Dasburg, like *many of his* competitors, blamed the "continued sluggishness in the US economy". He also blamed recent weakness in the Japanese market. Northwest has a large Pacific route network.

The airline's revenues in the first quarter rose 17.1 per cent to $1.92bn, *while expenses* climbed 14.6 per cent to $1.99bn. NWA, the carrier's *parent* company, fared even worse. After bearing the brunt of lease and interest costs, it reported a $103.1m after-tax *loss in the first quarter*, compared with a loss of $158.1m in the first quarter of 1991.

● Air Canada posted a first-quarter loss of C$164m (US$137.8m), or C$2.23 a share, much higher than analysts expected, writes Robert Gibbens. The result compares with a loss of C$100m, or C$1.35, a year earlier. Revenues dipped 5 per cent to C$827m.

The latest period includes a C$21m provision for staff reductions, against C$36m a year earlier. The loss was C$63m higher also because of a change in tax status. On an *operating basis, results* were down 3 per cent year-to-year.

Fewer travellers, ticket price wars, and lower cargo revenues more than offset lower fuel costs and lower interest rates.

● *Rolls-Royce Canada* will maintain the engines used in all USAir's 88 Rolls-Royce-powered aircraft at its Montreal overhaul plant, under a C$100m multi-year contract.

W R Grace expects 10% improvement

W.R. GRACE & Co, the US specialty chemicals producer, said its 1992 operating earnings would rise by at least 10 per cent. It also said its business strategy to divest a total of $1.5bn in non-strategic assets was "on course", *Reuter* reports from Boca Raton, Florida.

Mr J. P. Bolduc, president, said the company planned to reduce its debt-capital ratio to less than 45 per cent.

He told the annual meeting the company's plan would also result in cutting at least $50m *in overhead costs.*

He said Grace would meet its 1992 goal of boosting operating earnings by "more than 10 per cent" and of increasing return on shareholders' equity by 20 per cent.

Altron earnings increase 19%

By Philip Gawith in Johannesburg

ALTRON, the South African electronics and technology group, managed to lift earnings by 19 per cent in the year to February in spite of a slight *drop in* turnover.

Turnover dropped marginally to R2.65bn ($926m) from R2.68bn the previous year, but operating income was 8 per cent up at R311.9m. Attributable earnings rose to R92.7m *from R77.6m.* Earnings per share were 19 per cent up at 488.9 cents, and the dividend was raised by 12 per cent to 159 cents.

Mr Bill Venter, executive chairman, said the static turnover was the result of the depressed business environment and the rationalisation of certain non-performing assets and businesses.

He said the group was well placed to fund acquisitions and organic growth, having accumulated a cash surplus of nearly R200m, up by R127m from 1991.

The turnround in the interest bill – to income of R17.5m from a charge of R11m – and tight controls were the main reasons for the good operating performance.

Altron has been hard hit in *recent years by lower state* expenditure on telecommunications and defence, but the results, achieved against a difficult background, suggest the worst is behind the group.

Mr Venter said many new opportunities were being pursued as the group sought to broaden the base of its products and markets.

Altech, the electronics arm of the group, lifted attributable earnings by 11 per cent to R92m. Mr Venter said a number of new product developments were nearing fruition and should contribute signifi*cantly to future performance.*

Earnings rose by 5 per cent to R43m at Powertech, the power technology subsidiary. Mr Venter said the company was well placed to take advantage of increased infrastruc*tural spending by the South* African government.

Fintech, the information technology subsidiary, lifted attributable earnings by 114 per cent to R30m. Mr Venter said rationalisation in the group was largely complete and order books stood at record levels.

Tokyo urged to intervene on NTT fall

THE HEAD of Japan's most powerful business group has urged the government to take steps to help restore confidence among individual investors in *Nippon Telegraph and Telephone*, Kyodo reports from Tokyo.

Mr Gaishi Hiraiwa, chairman of the Federation of Economic Organisations (Keidanren), said yesterday that NTT stock *was a symbol of speculative* fund management known as *zaitech.* As a result, the sharp decline in NTT share prices in recent months had soured enthusiasm among individual investors in the stock market as a whole, he said.

Mr Hiraiwa, however, did not specify what measures the government might adopt to revive the price of NTT shares, which have plunged from a high of Y3.18m in late April 1987 to Y638,000 a share yesterday.

Calls have been heard in the market for cutting the face value of *NTT shares* to make it easier for investors to purchase the stock.

Mr Hiraiwa said Tokyo stock prices have seemed to have hit bottom and that volume was increasing. However, he added *the key to a further recovery in* the market was the participation by more individual investors.

Panel rules on Bass Strait oil royalties

BROKEN Hill Proprietary (BHP) of Australia and Exxon *of the US must pay* A$68.7m (US$51.6m) in additional royalties and interest on their past oil production from Australia's Bass Strait fields, a panel of arbitrators has ruled, AP-DJ reports from Melbourne.

The two companies have produced oil from the fields in a joint venture since 1969 and have paid A$880m in royalties at a rate of 2.5 per cent of the value of output.

Oil Basins Ltd receives and distributes the royalties.

Nearly 10 years ago, the royalty *holders started legal* action seeking that the royalty be based on a calculation of value that included excise tax. BHP and Exxon disputed this claim, which could have involved A$2bn, and the issue was submitted to arbitration.

The arbitrators ruled in the oil producers' favour in 1987 when they said royalties should be determined after the deduction of excise tax.

However, the panel only now has decided that certain pay*ments by BHP and Exxon must* be adjusted upward because the royalties are calculated on a different basis from that used when production started.

As a result, BHP and Exxon must pay A$32.4m *in additional* royalties for the period 1969-1988, together with A$36.3m in interest.

Cascades to take control of Paperboard Industries

By Robert Gibbens in Montreal

CASCADES, the Canadian packaging products group with three plants in Europe, plans to buy 50 per cent of Toronto-based *Paperboard Industries*, become its managing partner and also take an option on the remaining 50 per cent.

Paperboard, with 17 plants in Canada and the US, has 3,000 employees and annual sales of *well over C$500m (US$416m).* It is profitable in spite of being hit by the recession. The company has been owned by a group of banks led by the Royal Bank of Canada for the past two years, following the failure of the previous owner.

Paperboard and Cascades would form a company ranking in the top five international packaging groups.

● Domtar, a big pulp and paper and building products group, lost C$46m, or 46 cents a share, in the first quarter, against a loss of C$28m, or 35 cents, a year earlier, on unchanged sales of C$450m.

Domtar, Canada's largest *fine paper producer, suffered* very weak prices though demand increased. It hopes to break even late this year and return to profitability in 1993.

Royal Oak to reopen Hope Brook gold mine

By Robert Gibbens in Montreal

ROYAL Oak Mines, a small but growing Vancouver-based gold producer, is reopening BP Canada's Hope Brook gold mine in south-western Newfoundland. The mine was shut last year because of environmental and operating problems.

Production is to resume following the arrangement of a new C$20m (US$16.6m) five-year aid package from the federal government. Royal Oak last month bought the Hope Brook assets from BP Canada in a deal worth C$9m. The new owner also assumes the remaining C$14m of an earlier *federal government loan.*

Hope Brook has set a production target of 50,000 ounces in the last six months of 1992 at an average cash cost of US$300 an ounce. Royal Oak is revising the underground mining operation and the milling pro*cess to keep costs down.*

● Alcan Aluminium has won the right to resume a C$1bn expansion of its Kemano hydro-electric plant in north-western British Columbia.

The Federal Court of Appeal in Ottawa reversed a lower court ruling that the project should undergo a full federal environmental review. The original case was launched by native and environmental groups. The federal cabinet early in 1990 exempted Kemano II from the full assessment and Alcan spent nearly *$500m on river diversion before* halting construction.

Alcan needs the extra power to expand its Kitimat smelter.

Coca-Cola in venture with Asian bottler

COCA-COLA and Fraser and Neave (F&N) have set up a joint venture soft drinks company to operate in Singapore and Brunei, and later in Malaysia, Reuter reports from *Singapore.*

The two partners said the joint venture, called F&N Coca-Cola, would be owned 75 per cent by F&N and 25 per cent by Coca-Cola. The venture will take over F&N's existing soft drinks operations in Singapore and Brunei.

The new company will produce and market Coca-Cola, Diet Coke and Sprite brands, as well as F&N brands such as Sarsi and 100 Plus.

F&N, a leading supplier of soft drinks, dairy products and beer and stout throughout *Singapore and Malaysia*, has been the franchised bottler of Coca-Cola in the two countries since 1936.

Metra slips into FM203m loss

By Robert Taylor in Stockholm

METRA, the Finnish industrial *conglomerate, announced* yesterday a FM203m ($45.65m) loss after financial items for its 1991-1992 financial year which ended on February 29. This contrasts with a FM340m profit for the previous financial year.

However, group sales grew 11 per cent to FM9.83bn from FM8.88bn over the same period. The board proposes a dividend of FM2 per share for the 1991-1992 financial year compared with FM2.80 for the previous 12 months.

Metra said it was also going ahead with a FM60m share issue to raise capital for the strengthening of its core businesses and leading investments, including acquisitions. A total of 3m new shares is to be available at a nominal value *of FM20 per share.*

Metra blamed its loss on a more severe business downturn, particularly in Finland, than had been forecast. This hit the group's building materials business. Restructuring *measures, however,* are expected to return that part of Metra's activity to profitability by 1993.

However Sanitec, the group's bathroom fittings division, recorded substantial growth in the German market, with a *fall* in demand in Scandinavia. The locks and lock systems business was also hit by falling demand, except in Germany, and Metra said further moves were planned to adjust to this.

The Wärtsilä diesel operation enjoyed an improved performance, with 48 per cent growth in net sales to SKr3.3bn ($556m) from SKr2.3bn, and a 13 per cent growth in operating profits to SKr177m. Metra accounts for about 20 per cent of the world market for medium-speed marine engines and diesel power plants over 1MW capacity. It forecast a rise in sales in the next financial year to FM4.6bn.

The group said expected restructuring measures in its building *materials* and *locks* and lock systems manufacture should make a "favourable impact" on future performance.

Saab-Scania surges despite sales dip

By Robert Taylor

SAAB-SCANIA, the Swedish vehicle and aerospace group, has turned in a substantial improvement in its profits after financial items for the *first quarter of the year.* Yesterday it reported a SKr610m ($103.4m) result, compared with SKr270m for the same period of 1991.

There was a 5 per cent decrease in consolidated sales, to SKr6.58bn from SKr6.94bn. Return on capital rose slightly to 11.6 per cent from 11.2 per cent.

The group said its *forecast* for 1992 was unchanged, with prospects of "achieving an improved result", mainly due to last year's restructuring measures.

With the likelihood of a 10 to 15 per cent drop in heavy truck sales this year in western Europe, mainly *because of a falling off in* demand in the German market, Saab-Scania announced a slight drop in its total truck and bus sales, to SKr5.32bn from SKr5.35bn.

The company also reported a 16 per cent decline in aircraft sales, to SKr992m in the first quarter compared with SKr1.18bn for the same period of 1991.

At the end of March, there was an order backlog for aircraft valued at SKr11bn compared with SKr12.7bn for the same date in 1991.

Firm orders for the new Saab 2000 civilian aircraft, with the first deliveries scheduled for autumn 1993, now *amount to 46, with a further* 148 in options. Last week's orders for 110 more JAS 39 Gripen fighter aircraft for the Swedish air force has strengthened the company's sales position.

There was also an 18 per cent drop in sales in the group's Combitech division, to SKr512m from SKr622m, though with an order backlog of SKr3.30bn at the end of March.

Gambro rises 25% to SKr176m

By Robert Taylor

GAMBRO, Sweden's leading medical equipment manufacturer, announced yesterday a 25 per cent rise in its profits after financial items, to SKr176m ($29.8m), for the first three months of the year. Sales were up 10 per cent to SKr1.48bn.

Mr Berthold Lindqvist, the company's president, said the favourable performance *stemmed partly from the con*tinuing integration of the US medical equipment company Cobe, acquired in 1990. He also attributed the improvement to product launches in recent years, rationalisation measures, and *expansion* in markets where Gambro had been active.

He added that the company expected income for the year to exceed 1991's figure of SKr594m.

Liffe to launch Eurolire futures contract today

By Simon London

LIFFE, the London futures and options exchange, will today launch the first futures contract on Eurolire interest rates, hoping to harness the rapid growth of the international money market in the Italian currency.

The new contract is similar in design to Liffe's existing three-month futures on the dollar, sterling, Ecu, Swiss franc and D-Mark interest rates.

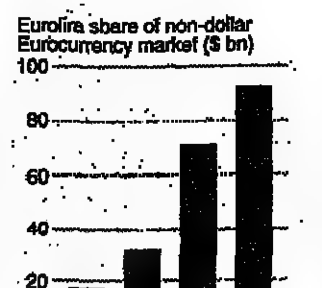
Each contact is valued at L1,000m ($800,000) with eleven firms acting as designated brokers, undertaking to quote a price. The firms are not obliged to make a market, but Liffe said that the designated broker system would contribute to liquidity.

According to Bank for International Settlements figures, Eurolire deposits – lire deposits held outside Italy – grew from around $30bn equivalent in 1989 to $100bn last year.

The growth of the deposits market has spurred the development of money market instruments such as swaps, forward foreign exchange contracts and forward rate agreements. Earlier this year the Italian government removed a 30 per cent withholding tax on interbank deposits, and this has increased cash trading volume and narrowed dealing spreads.

Bank assets in Eurolira

Eurolira share of non-dollar Eurocurrency market ($ bn)



Source: Bank for International Settlements

Eurolire interest rates are volatile compared with most other big trading currencies. Liffe hopes this will stimulate demand for the new contract. Until now, financial institutions have bought tailored, over-the-counter derivative financial products rather than exchange-traded contracts to hedge lire exposures.

Mr Roger Barton, business development director at Liffe, said the exchange did not have a target for turnover of the new contract. However, he said Liffe would be happy with a turnover of 3,000 to 5,000 contracts a day.

The cost of developing the new contact was relatively low since the specifications are close to existing interest rate futures.

Last week Liffe suspended its future on the FTSE Eurotrack index of 100 leading European equities because the contract had an average daily volume of only 13 contracts.

● Liffe last week completed an oversubscribed rights issue designed to promote the trading of the Eurolire and other short-dated interest rate contracts. The new "E" shares grant holders the right to trade all but the exchange's most popular contracts. This should make them less expensive than existing shares, and so encourage traders to start dealing in the exchange's new contracts.

Poland offers bonds to foreign investors

By Christopher Bobinski in Warsaw

A POLISH government bond issue is for the first time to be available to foreign investors. The bonds, maturing after three years, go on sale on August 3.

Interest will be linked to the yield on three-month Polish treasury bills plus 10 per cent. This would mean 51 per cent compared to the expected year-end inflation rate of 45 per cent.

Officials said foreign investors would be able to repatriate their earnings although final regulations providing for this have yet to be signed.

Interest on the bonds is to be paid quarterly and they are to be traded on Warsaw's computerised stock exchange.

The total value of the three-year bond issue is 7,000bn zlotys ($512m).

This issue is to be accompanied by one-year bonds, available only to Poles and linked to inflation plus 5 per cent. This issue, on sale on June 1, has a value of 8,000bn zlotys.

The two issues, are designed to finance partially Poland's budget deficit which is expected to reach 65,500bn zlotys this year.

IBM seeks $500m in five-year deal

By Sara Webb in London and Louise Kehoe in San Francisco

INTERNATIONAL Business Machines (IBM), the large computer group, is seeking a $500m, five-year loan from European banks.

The company said the complex structured deal, which was being arranged by Citibank using a Cayman Islands corporation, would be used "to finance operations and for some customer financing".

The money was being raised by IBM France, and the sophisticated financing arrangement was "designed to ensure that IBM gets the lowest possible cost of funds", the company said.

IBM's long-term debt rating was downgraded in March by Moody's Investors Service, a leading credit rating agency, from Aaa to Aa2. S&P, another rating agency, has kept its top AAA rating for IBM, but has had the company on "negative outlook" since last August.

However, IBM claims the complex method of financing is not related to Moody's downgrading of IBM's credit rating and does not signal a change of approach to raising funds.

The official borrower is Abacus (Number One), a Cayman Island special purpose vehicle. Abacus is raising a five-year senior secured loan, where the $500m principal amount is fully collateralised by a five-year zero-coupon bond issued by a triple-A rated OECD sovereign or supranational entity.

Citibank said it had structured the transaction so that Abacus's interest payment obligations would be serviced by interest payments from a separate loan between Citibank and IBM France.

The interest margin on the loan is 37.5 basis points over the London interbank offered rate (Libor). Fees range from 30 basis points for senior managers lending $40m to 12.5 basis points for participations of $10m.

IBM said the financing was not related to the company's pledge to make a $100m equity investment in Groupe Bull, the French state-owned computer maker.

Citibank expected the financing to be completed by the end of May.

Seat earnings improve 34.7%

By Tom Burns in Majorca

SEAT, the Spanish car manufacturer owned by Volkswagen, raised its 1991 post-tax profits by 34.7 per cent to Pta6.7bn ($65m), thanks largely to the increased export market provided by German reunification.

Sales to Germany, which replaced Italy as Seat's main foreign client, rose from 57,000 units in 1990 to 105,000 last year.

"Seat successfully saw the opportunity of the new unified Germany," said Mr Eberhard Muller, the group's finance director.

Later this year, Volkswagen will switch all manufacturing of its Polo car to Seat's plant in Pamplona, where production will be increased to 1,200 units a day, double the number at the beginning of last year.

Exports overall were up by 16.6 per cent to 438,000 units against an 8.4 per cent drop to 178,000 units in the domestic market. Income from sales increased by 16.8 per cent to Pta587.7bn and for the first time in Seat's history income from exports overtook the revenue earned in Spain.

The Seat group doubled its investment last year to Pta120bn, Pta69bn of which was spent on a new plant near Barcelona which will enter full production, building Seat's new Toledo model, early next year.

Broker to cede Japanese licence

By Emiko Terazono in Tokyo

HOARE Govett Japan, the Japanese arm of the London-based broker, is to give up its securities licence in Tokyo following the completion of negotiations with Hoare Govett Europe and ABN Amro Bank, which is buying BankAmerica's share in Hoare Govett.

Hoare Govett Japan's foreign equity operations will be transferred to the Japanese securities arm of ABN Amro Bank, whose head office is in Amsterdam, after the deal is finalised at the end of this month.

Hoare Govett withdrew its Japanese equity operations earlier this year.

Atlas Copco raises profits to SKr292m

By Robert Taylor in Stockholm

ATLAS COPCO, Europe's largest air compressor manufacturer, has reported a 16 per cent improvement in profits after financial items to SKr292m ($49.2m) for the first three months of the year. Sales rose by 8 per cent to SKr3.83bn.

Operating profits after depreciation increased 33 per cent against the same period of 1991 to SKr334m. Restructuring costs in the company's construction and mining technique area totalling SKr65m were set against profits.

The company's recovery in the first quarter follows a 28 per cent drop in profits last year to SKr910m.

Atlas Copco said it expected an improvement of earnings this year so long as there was no further decline in business conditions.

However, the company warned that its order bookings remained weak during the first quarter, although the order trend had levelled out.

The most successful area of activity was in the construction and mining technique division with an operating profit after depreciation of SKr72m, compared with a SKr25m loss in the first three months of last year.

However, there was a slide in operating profits after depreciation in the industrial technique division to SKr46m from SKr70m.

In compressors the company's operating profits after depreciation fell slightly to SKr261m from SKr286m.

S&P affirms Swiss banks' top rating

By Simon London

STANDARD & Poor's, the US credit rating agency yesterday affirmed the top triple-A credit ratings of the big three Swiss banks, contradicting the opinion of Moody's Investors Service, its biggest competitor.

S&P said that the top long-term credit ratings of Union Bank of Switzerland, Crédit Suisse and Swiss Banking Corporation would be maintained in spite of an increase in loan losses and a decline in profitability.

Earlier this year, Moody's downgraded Crédit Suisse to Aa1 and has placed SBC under review for possible downgrade.

Standard & Poor's said that the strong performance of all three banks was "in marked contrast" to the general deterioration of bank credit quality.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, May 11, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	55.3387	33.7296	41.5706
Albania	(Lek)	89.45	49.8745	30.3993	37.4659
Algeria	(Dinar)	39.149	21.8282	13.3046	16.3974
Andorra	(Fr Fr)	9.8900	5.5143	3.361	4.1424
	(Sp Peseta)	183.65	102.398	62.4129	76.9214
Angola	(Kwanza)	984.457	548.903	334.565	412.338
Antigua	(E Carr $)	4.8303	2.6932	1.6415	2.0231
Argentina	(Peso)	1.7721	0.988	0.6022	0.7422
Aruba	(Florin)	3.20231	1.7855	1.0882	1.3412
Australia	(Aus $)	2.3885	1.3317	0.8117	1.0004
Austria	(Schilling)	20.705	11.5444	7.0365	8.6722
Azores	(Port Escudo)	244.90	136.549	83.2285	102.576
Bahamas	(Bahama $)	1.7935	1	0.6095	0.7512
Bahrain	(Dinar)	0.6710	0.3741	0.228	0.281
Balearic Is	(Sp Peseta)	183.65	102.398	62.4129	76.9214
Bangladesh	(Taka)	68.82	38.3718	23.3882	28.8251
Barbados	(Barb $)	3.5982	2.0062	1.2228	1.507
Belgium	(Belg Fr)	60.60	33.7886	20.5947	25.3821
Belize	(B $)	3.578	1.9949	1.2159	1.4986
Benin	(CFA Fr)	494.50	275.718	168.054	207.12
Bermuda	(Bermudian $)	1.7935	1	0.6095	0.7512
Bhutan	(Ngultrum)	50.9246	28.3939	17.3065	21.3296
Bolivia	(Boliviano)	6.8519	3.8204	2.3285	2.8699
Botswana	(Pula)	3.8535	2.1485	1.3096	1.614
Brazil	(Cruzeiro)	4477.13	2496.31	1521.54	1875.24
Brunei	(Brunei $)	2.9475	1.6434	1.0016	1.2345
Bulgaria	(Lev)	32.24	17.976	10.9566	13.5036
Burkina Faso	(CFA Fr)	494.50	275.718	168.054	207.12
Burma	(Kyat)	10.9542	6.1077	3.7227	4.5881
Burundi	(Burundi Fr)	353.15	196.905	120.017	147.916
Cambodia	(Riel)	1252.3	698.244	425.59	524.524
Cameroon	(CFA Fr)	494.50	275.718	168.054	207.12
Canada	(Canadian $)	2.1605	1.2046	0.7342	0.9049
Canary Is	(Sp Peseta)	183.65	102.398	62.4129	76.9214
Cp. Verde	(CV Escudo)	121.103	67.5232	41.1564	50.7237
Cayman Is	(CI $)	1.4849	0.8279	0.5046	0.6219
Cent.Afr. Rep	(CFA Fr)	494.50	275.718	168.054	207.12
Chad	(CFA Fr)	494.50	275.718	168.054	207.12
Chile	(Chilean Peso)	618.49	344.851	210.192	259.053
China	(Renminbi Yuan)	9.9222	5.5323	3.372	4.1558
Colombia	(Col Peso)	1114.16	621.221	378.644	466.664
Comoros	(CFA Fr)	494.50	275.718	168.054	207.12
Congo (Brazz)	(CFA Fr)	494.50	275.718	168.054	207.12
Costa Rica	(Colon)	233.46	130.17	79.3406	97.7842
Côte d'Ivoire	(CFA Fr)	494.50	275.718	168.054	207.12
Cuba	(Cuban Peso)	1.355	0.7555	0.4604	0.5675
Cyprus	(Cyprus £)	0.8251	0.46	0.2804	0.3455
Czechoslovakia	(Koruna)	[illegible]	28.988	17.6686	21.7759
		50.164	27.9676	17.0467	21.0094
Denmark	(Danish Krone)	11.3850	6.3479	3.8691	4.7685
Djibouti Rep	(Djib Fr)	312.0	173.962	106.032	130.681
Dominica	(E Carrib $)	4.8303	2.6932	1.6415	2.0231
Dominican Rep	(D Peso)	22.8097	12.7179	7.7518	9.5538
Ecuador	(Sucre)	2410.32	1343.92	819.14	1009.56
Egypt	(Egyptian £)	5.95	3.3175	2.022	2.4921
El Salvador	(Colon)	[illegible]	[illegible]	[illegible]	[illegible]
Equat'l Guinea	(CFA Fr)	494.50	275.718	168.054	207.12
Ethiopia	(Ethiopian Birr)	3.6783	2.0509	1.25	1.5406
Falkland Is	(Falk £)	1.00	0.5575	0.3398	0.4188
Faroe Is	(Danish Krone)	11.3850	6.3479	3.8691	4.7685
Fiji Is	(Fiji $)	2.6865	1.4979	0.9129	1.1252
Finland	(Markka)	7.9817	4.4503	2.7125	3.3431
France	(Fr)	9.8900	5.5143	3.361	4.1424
Fr. Cty/Africa	(CFA Fr)	494.50	275.718	168.054	207.12
Fr. Guiana	(Local Fr)	9.8900	5.5143	3.361	4.1424
Fr. Pacific Is	(CFP Fr)	175.00	97.5745	59.4732	73.2984
Gabon	(CFA Fr)	494.50	275.718	168.054	207.12
Gambia	(Dalasi)	15.9937	8.9175	5.4354	6.6989
Germany	(D-Mark)	2.9425	1.6406	1	1.2324
Ghana	(Cedi)	[illegible]	[illegible]	[illegible]	[illegible]
Gibraltar	(Gib £)	[illegible]	[illegible]	[illegible]	[illegible]
Greece	(Drachma)	[illegible]	[illegible]	[illegible]	[illegible]
Greenland	(Danish Krone)	[illegible]	[illegible]	[illegible]	[illegible]
Grenada	(E Carr $)	[illegible]	[illegible]	[illegible]	[illegible]
Guadaloupe	(Local Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Guam	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Guatemala	(Quetzal)	[illegible]	[illegible]	[illegible]	[illegible]
Guinea	(Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Guinea-Bissau	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]
Guyana	(Guyanese $)	[illegible]	[illegible]	[illegible]	[illegible]
Haiti	(Gourde)	[illegible]	[illegible]	[illegible]	[illegible]
Honduras	(Lempira)	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	(HK $)	[illegible]	[illegible]	[illegible]	[illegible]
Hungary	(Forint)	[illegible]	[illegible]	[illegible]	[illegible]
Iceland	(Icelandic Krona)	[illegible]	[illegible]	[illegible]	[illegible]
India	(Indian Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Indonesia	(Rupiah)	[illegible]	[illegible]	[illegible]	[illegible]
Iran	(Rial)	[illegible]	[illegible]	[illegible]	[illegible]
Iraq	(Iraqi Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Irish Rep	(Punt)	[illegible]	[illegible]	[illegible]	[illegible]
Israel	(Shekel)	[illegible]	[illegible]	[illegible]	[illegible]
Italy	(Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Jamaica	(Jamaican $)	[illegible]	[illegible]	[illegible]	[illegible]
Japan	(Yen)	[illegible]	[illegible]	[illegible]	[illegible]
Jordan	(Jordanian Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Kenya	(Kenya Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
Kiribati	(Australian $)	[illegible]	[illegible]	[illegible]	[illegible]
Korea North	(Won)	[illegible]	[illegible]	[illegible]	[illegible]
Korea South	(Won)	[illegible]	[illegible]	[illegible]	[illegible]
Kuwait	(Kuwaiti Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Laos	(New Kip)	[illegible]	[illegible]	[illegible]	[illegible]
Lebanon	(Lebanese £)	[illegible]	[illegible]	[illegible]	[illegible]
Lesotho	(Maloti)	[illegible]	[illegible]	[illegible]	[illegible]
Liberia	(Liberian $)	[illegible]	[illegible]	[illegible]	[illegible]
Libya	(Libyan Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Liechtenstein	(Swiss Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Luxembourg	(Lux Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Macao	(Pataca)	[illegible]	[illegible]	[illegible]	[illegible]
Madagascar	(MG Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Madeira	(Port Escudo)	[illegible]	[illegible]	[illegible]	[illegible]
Malawi	(Kwacha)	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia	(Ringgit)	[illegible]	[illegible]	[illegible]	[illegible]
Maldive Is	(Rufiya)	[illegible]	[illegible]	[illegible]	[illegible]
Mali Rep	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Malta	(Maltese £)	[illegible]	[illegible]	[illegible]	[illegible]
Martinique	(Local Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Mauritania	(Ouguiya)	[illegible]	[illegible]	[illegible]	[illegible]
Mauritius	(Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Mexico	(Mexican Peso)	[illegible]	[illegible]	[illegible]	[illegible]
Miquelon	(Local Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Monaco	(French Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Mongolia	(Tugrik)	[illegible]	[illegible]	[illegible]	[illegible]
Montserrat	(E Carr $)	[illegible]	[illegible]	[illegible]	[illegible]
Morocco	(Dirham)	[illegible]	[illegible]	[illegible]	[illegible]
Mozambique	(Metical)	4116.99	2295.51	1399.15	1724.39
Namibia	(S A Rand)	5.1345	2.8628	1.7449	2.1505
Nauru Is	(Australian $)	2.3885	1.3317	0.8117	1.0004
Nepal	(Nepalese Rupee)	83.42	46.5124	28.35	34.9403
Netherlands	(Guilder)	3.3100	1.8456	1.1248	1.3863
N'nd Antilles	(A/Guilder)	3.2023	1.7855	1.0882	1.3412
New Zealand	(NZ $)	3.3527	1.8693	1.1394	1.4042
Nicaragua	(Gold Cordoba)	8.945	4.9874	3.0399	3.7465
Niger Rep	(CFA Fr)	494.50	275.718	168.054	207.12
Nigeria	(Naira)	32.7387	18.45	11.1261	13.7125
Norway	(Nor. Krone)	11.4975	6.4106	3.9073	4.8157
Oman	(Rial Omani)	0.6852	0.382	0.2328	0.2869
Pakistan	(Pak. Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Panama	(Balboa)	[illegible]	[illegible]	[illegible]	[illegible]
Papua New Guinea	(Kina)	[illegible]	[illegible]	[illegible]	[illegible]
Paraguay	(Guarani)	[illegible]	[illegible]	[illegible]	[illegible]
Peru	(New Sol)	[illegible]	[illegible]	[illegible]	[illegible]
Philippines	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]
Pitcairn Is	(£ Sterling)	[illegible]	[illegible]	[illegible]	[illegible]
	(NZ $)	[illegible]	[illegible]	[illegible]	[illegible]
Poland	(Zloty)	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	(Escudo)	[illegible]	[illegible]	[illegible]	[illegible]
Puerto Rico	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Qatar	(Riyal)	[illegible]	[illegible]	[illegible]	[illegible]
Reunion Is. de la	(F Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Romania	(Leu)	[illegible]	[illegible]	[illegible]	[illegible]
Rwanda	(Fr)	[illegible]	[illegible]	[illegible]	[illegible]
St Christopher	(E Carr $)	[illegible]	[illegible]	[illegible]	[illegible]
St Helena	(£)	[illegible]	[illegible]	[illegible]	[illegible]
St Lucia	(E Carr $)	[illegible]	[illegible]	[illegible]	[illegible]
St Pierre	(French Fr)	[illegible]	[illegible]	[illegible]	[illegible]
St Vincent	(E Carr $)	[illegible]	[illegible]	[illegible]	[illegible]
San Marino	(Italian Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Sao Tome	(Dobra)	[illegible]	[illegible]	[illegible]	[illegible]
Saudi Arabia	(Riyal)	[illegible]	[illegible]	[illegible]	[illegible]
Senegal	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Seychelles	(Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Sierra Leone	(Leone)	[illegible]	[illegible]	[illegible]	[illegible]
Singapore	(S $)	[illegible]	[illegible]	[illegible]	[illegible]
Solomon Is	(S $)	[illegible]	[illegible]	[illegible]	[illegible]
Somali Rep	(Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
South Africa	(Rand)	[illegible]	[illegible]	[illegible]	[illegible]
Spain	(Peseta)	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Ports in N Africa	(Sp Peseta)	[illegible]	[illegible]	[illegible]	[illegible]
Sri Lanka	(Rupee)	[illegible]	[illegible]	[illegible]	[illegible]
Sudan Rep	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Surinam	(Guilder)	[illegible]	[illegible]	[illegible]	[illegible]
Swaziland	(Lilangeni)	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	(Krona)	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	(Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Syria	(£)	[illegible]	[illegible]	[illegible]	[illegible]
Taiwan	($)	[illegible]	[illegible]	[illegible]	[illegible]
Tanzania	(Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
Thailand	(Baht)	[illegible]	[illegible]	[illegible]	[illegible]
Togo Rep	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Tonga Is	(Pa Anga)	[illegible]	[illegible]	[illegible]	[illegible]
Trinidad/Tobago	($)	[illegible]	[illegible]	[illegible]	[illegible]
Tunisia	(Dinar)	[illegible]	[illegible]	[illegible]	[illegible]
Turkey	(Lira)	[illegible]	[illegible]	[illegible]	[illegible]
Turks & Caicos	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Tuvalu	(Australian $)	[illegible]	[illegible]	[illegible]	[illegible]
Uganda	(New Shilling)	[illegible]	[illegible]	[illegible]	[illegible]
UAE	(Dirham)	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom	(£)	[illegible]	[illegible]	[illegible]	[illegible]
United States	(US $)	[illegible]	[illegible]	[illegible]	[illegible]
Uruguay	(Peso)	[illegible]	[illegible]	[illegible]	[illegible]
USSR	(Rouble)	[illegible]	[illegible]	[illegible]	[illegible]
Vanuatu	(Vatu)	201.42	112.306	68.4519	84.3643
Vatican	(Lira)	2215.00	1235.02	752.761	927.749
Venezuela	(Bolivar)	108.345	60.4098	36.8207	45.3801
Vietnam	(Dong)	20126.25	11221.8	6839.85	8429.84
Virgin Is-British	(US $)	1.7935	1	0.6095	0.7512
Virgin Is-US	(US $)	1.7935	1	0.6095	0.7512
Western Samoa	(Tala)	4.3507	2.4258	1.4785	1.8222
Yemen (Rep of)	(Rial)	21.468	11.9698	7.2958	8.9918
Yemen (Rep of)	(Dinar)	0.8319	0.4638	0.2827	0.3484
Yugoslavia	(Dinar)	588.32	328.029	199.939	246.417
Zaire Rep	(Zaire)	303035.00	168963	102986	126926
Zambia	(Kwacha)	251.35	140.145	85.4205	105.277
Zimbabwe	($)	8.9897	5.0123	3.0551	3.7653

Special Drawing Rights May 8, 1992 United Kingdom £0.766112 United States $1.38130 Germany D Mark 2.25414 Japan Yen182.884
European Currency Unit Rates May 11, 1992 United Kingdom £0.698092 United States $1.25147 Germany D Mark 2.05954 Japan Yen166.596

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, May 11, 1992.

INTERNATIONAL CAPITAL MARKETS

Attention focused on Eurofima Ecu500m issue

By Sara Webb

KICKING off a busy week, the international bond market was yesterday mostly focused on three Ecu deals, in particular a large Ecu500m 15-year transaction from Eurofima, the rail equipment financing company.

INTERNATIONAL BONDS

The Eurofima issue, lead managed by JP Morgan Securities, has not yet broken syndicate but has already attracted a lot of attention because of its size and maturity.

JP Morgan believes there is demand at the longer end of the Ecu yield curve for a liquid issue as this area of the Ecu bond market is under-served – bar a 15-year, Ecu400m issue from SNCF and an Ecu750m issue from Finland.

The Ecu market has fallen over the last month due to a combination of factors – general concern over European Monetary Union, fears about the ratification of the Maastricht protocol in some member countries and the feeling that institutional investors are selling off their Ecu bonds.

JP Morgan argues the Ecu market is probably oversold. Other houses were doubtful whether such a large issue could be easily placed. The lead manager admitted it could take "some effort" to get the issue away but said an estimated Ecu200-250m has already been placed. The deal is priced at 4 basis points over the 8¼ per cent Ecu OAT due 2002.

Nippon Telegraph & Telephone's Ecu200m issue traded well, and was seen as fairly priced. The reoffer price of 99.5 gave a yield of 8.878 per cent, which compared favourably with other five-year maturities – although there were a few grumbles that the lead manager – Swiss Bank Corporation – kept a high proportion of the deal to sell to retail investors in Switzerland.

South Africa tapped the international capital market with a DM120m, five-year issue for Telkom SA, the South Africa telecommunications utility. The deal is the fifth since South Africa's "rehabilitation" in the public bond market last September, and follows D-Mark and Ecu-denominated issues by the government, the Development Bank of Southern Africa, and Eskom (the South African electricity utility).

The deal, which carried a government guarantee, appeared to be well-received and attracted widespread interest from retail investors, according to Deutsche Bank, the lead manager.

The pricing on South African issues has steadily fallen since September. The Eskom deal – the most recent South African issue – was priced to yield 150 basis points over the five-year German government notes, which was seen as quite tight pricing.

However, Deutsche Bank bucked this trend by deciding to price the Telkom issue at 160 basis points over the five-year notes in order to ensure a better reception for the issue. By mid-afternoon, Telkom was trading at around 98.10, within fees.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
Leeds Perm.B/S.(d)‡	100	(d)	101.675	1997	1⅜/1⅛	Crd.Suisse Fst.Boston
SWISS FRANCS						
Metro.Copen.Hast.Trans.(a)‡★★‡	75	7⅛	101⅛	1997	-	UBS
ENAG(b)‡	100	7	100½	2003	-	Credit Suisse
YEN						
Sanyo Electric Co.(e)‡	20bn	(e)	101.80	1997	1⅞	Yamaichi Intl
D-MARKS						
Telkom SA Ltd(a)‡	120	10	99.50	1997	2	Deutsche Bank
FRENCH FRANCS						
Credit Local de France(a)‡	3bn	8⅞	99.70	2002	32.5bp	Paribas Cap.Mkts.
LIRE						
SBAB(a)‡	150bn	12	101.70	1997	1⅞	IMI Lux.
CANADIAN DOLLARS						
Elec.Power Dev.Corp.(a)‡	225	8¾	101.335	1997	1⅞/1⅛	IBJ Intl
Finnish Export Credit (a)‡	100	8⅞	101.075	1995	1½/1	Hambros Bank
GUILDERS						
BNP(c)‡	300	8⅜	100.55	1997	1/⅝	ABN Amro
ECU's						
Eurofima(a)‡	500	8½	98.20	2007	37.5/17.5bp	J.P Morgan Secs
KFW Intl.Fin.(a)‡	125	9	102.0	1996	1⅝/1.60	Dresdner Bank
Nippon T.& T.(a)‡	200	8¾	101⅛	1997	1⅞/1⅛	SBC

★★Private placement. §Convertible. ‡With equity warrants. ‡Floating rate note. ‡Final terms. Non-callable. b) Callable after 9 years. c) Amount increased from Fl250m d) Coupon pays flat 6mth Libor. Option to exchange into fixed rate notes due 2/6/1997 at 10%. e) Pays 5.05% for first short coupon period to 2/9/1992, thereafter pays 6%. Non-callable.

BIS in detailed analysis of futures trading

By Richard Waters

THE MOST detailed analysis yet of the escalation of worldwide trading in derivatives is published today by the Basle-based Bank for International Settlements. It's conclusion: that the "pyramiding of transactions in derivatives", with different markets feeding off each other in an upward spiral of trading volume, has created a complex network of linkages between derivative and cash markets around the world.

The BIS study, contained in its latest quarterly report on international financing, reveals:

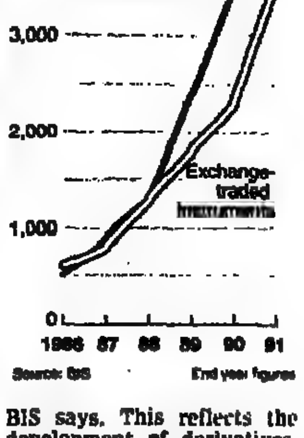
- While open interest in exchange-traded instruments has jumped by 500 per cent in the past five years, the value of outstanding currency and interest rates swaps has expanded eightfold.
- Activity in Europe has soared as trading in the US has levelled off. Last year, 200m derivatives were traded on US exchanges, hardly different from the 188m of two years before. By contrast, European exchanges traded 84m contracts, up from 49m in 1989.
- Arbitrage activity between markets has brought pricing of different instruments closer, at the same time prompting an explosion of trading volume. "Swaps, for instance, have linked the bond markets in different currencies more closely together," said the BIS.

Banks have become the most significant participants in some markets, particular those in short-term interest rates, the BIS says. This reflects the development of derivatives, especially swaps, which in the mid-1980s were dependent on arbitrage-related trading. "Over time interest rate swaps have become a more general instrument of risk management, especially for financial institutions, and to some extent have replaced more traditional interbank activity."

In the first half of 1991, 41 per cent of the new interest rate swaps completed were between banks, up from 30 per cent at the end of 1987. At the same time, banks now account for around two-thirds of trading in some short-term interest rate contracts in the US.

International Banking and Financial Market Developments, May 1992, BIS.

Growth of derivative markets



Source: BIS End year figures

Treasuries rally on hopes of renewed Fed easing

By Patrick Harverson in New York and Simon London in London

US Treasury prices firmed slightly at both ends of the maturity spectrum yesterday as investors continued to bet that coming economic data will persuade the Federal Reserve to cut interest rates.

GOVERNMENT BONDS

In late trading, the benchmark 30-year government issue was up $\frac{1}{32}$ at 101$\frac{1}{32}$, yielding 7.890 per cent. At the short end of the market, the two-year note was ⅛ higher at 100$\frac{1}{32}$, yielding 5.205 per cent.

The market did not wait long to add on to last week's big gains, which were achieved in the wake of a mixed employment report and weak money supply numbers.

Attention has now switched to this week's figures, which will include reports on the latest producer prices index (today), consumer prices and retail sales (tomorrow) and weekly jobless claims and money supply (Thursday).

The thinking among more optimistic investors is that if the latest statistics indicate the economic recovery is still worryingly frail, the Fed may ease monetary policy one more time.

■ FRENCH government bond prices continued to rally yesterday following the cut in bank lending rates last week and a long holiday weekend.

The benchmark 8½ per cent French government OAT maturing 2002 closed on a yield of 8.57 per cent, from 8.62 per cent at the opening and at the close on Thursday.

Since German government bonds continued sideways, the yield spread between the two markets at the 10-year maturity closed from 68 basis points to 61 basis points.

This is the lowest spread between the two markets since early March, reversing most of the damage which resulted from political uncertainty surrounding French regional elections.

The market continued to find support from the strength of the French franc, which closed slightly higher in the European exchange rate mechanism, and comfortably within its divergence limits against the D-Mark.

■ GERMAN government bonds were little changed in nervous, lacklustre trade yesterday, with most investors held on the sidelines by uncertainty over the current wave of industrial disputes.

The June bund futures contract on Liffe, the London exchange, opened at 87.19 and was trading slightly below this level in late afternoon. However, trading volume was low at 41,000 contracts, little more than half the trading activity seen last week.

In the cash market, the benchmark 8 per cent cash bund closed at 100.11 from 100.08, for a yield of 7.97 per cent.

Prices dipped in the morning session on the news that the German current account deficit narrowed to DM300m in March from DM1.9bn in February and DM6.4bn in March 1991. The largest change was in the volume of exports, which rose from DM54.97bn in February to DM62.97bn in March.

Analysts said the strength of exports suggested the economy was not slowing as quickly as had been assumed, with inflationary pressures possibly still remaining.

■ UK government bonds were slightly weaker at the longer maturities yesterday as investors focused on the medium-term outlook for UK inflation ahead of official data expected this week.

The 9 per cent gilt maturing 2011 closed down just $\frac{1}{32}$ of a point on the day, at 99$\frac{9}{32}$ for a yield of 9.026 per cent. The June gilt futures contract on Liffe closed at 98.20, having opened at 98.27 and traded as high as 99.01 early in the session. Volume was slight at 21,000 contracts.

Short-dated gilts fared better, however, less disturbed by fears over the inflation outlook and expectations of further government bond issuance. For example, the 10 per cent gilt maturing 1996 closed up $\frac{1}{32}$ of a point on the day at 102$\frac{9}{32}$ for a yield of 9.251 per cent.

Dealers expected little action ahead of retail price inflation data for April, expected to be released on Friday. Analysts are expecting an increase in the 4 per cent annual rate of inflation recorded in March. But forecasts for April for year-on-year inflation range from 4.3 per cent to 4.9 per cent.

Although much of the acceleration can be explained by statistical factors – the way in which tax and mortgage rate cuts depressed the RPI this time last year – any increase will focus attention on the UK's stubbornly high rate of inflation.

■ JAPANESE government bond prices fell a shade yesterday, with concern over anticipated supply of corporate bonds continuing to pre-occupy dealers.

The 10-year government benchmark bond issue No 129 closed the Tokyo day on a yield of 5.595 per cent, from 5.555 per cent at the close on Friday.

Dealers said Tokyo Electric Power, the largest of the Japanese power utility companies, was preparing to launch a Y100bn 12-year bond issue in the domestic market.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	103.5630	-1.826	9.44	9.40	9.61
BELGIUM		9.000	06/01	101.2000	-0.100	8.61	8.66	8.56
CANADA *		8.500	04/02	98.7300	+0.300	8.55	8.90	8.67
DENMARK		9.000	11/00	101.2500	+0.100	8.58	8.61	8.61
FRANCE	BTAN	8.500	03/97	99.2031	+0.220	8.69	8.86	8.76
	OAT	8.500	11/02	99.4300	+0.361	8.57	8.70	8.63
GERMANY		8.000	01/02	100.1400	+0.070	7.97	7.99	7.86
ITALY		12.000	02/02	98.7800	+0.040	12.21†	12.28	12.94
JAPAN	No 118	4.800	06/99	94.7263	+0.049	5.85	5.87	5.78
	No 129	6.400	03/00	104.4233	-0.058	5.59	5.66	5.48
NETHERLANDS		8.250	02/02	99.5900	+0.125	8.30	8.34	8.25
SPAIN		11.300	01/02	102.3700	+0.090	10.58	10.62	10.56
UK GILTS		10.000	11/96	102-20	+0/32	9.27	9.27	9.43
		9.750	08/02	103-30	+1/32	9.15	9.13	9.20
		9.000	10/08	99-25	+4/32	9.02	9.00	9.06
US TREASURY *		7.600	11/01	100-24	+04/32	7.39	7.89	7.35
		8.000	11/21	101-07	+04/3	7.89	8.08	7.88
ECU (French Govt)		8.500	03/02	99.1000	+0.080	8.63	8.76	8.59

London closing. *New York closing Yields: Local market standard
† Gross (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal Technical Data/ATLAS Price Sources

Reduction in new bank lending

THE international financial system generated $255bn of new lending last year, less than half of the $550bn of 1990, according to figures published in the BIS quarterly review, writes Richard Waters.

The scarcity of new bank credit was at the root of the contraction, net international lending by banks plummeting from $465bn to $85bn. Despite this, the final quarter of last year saw a slight recovery in bank lending. New lending in the last quarter, at $30bn, was double the previous quarter's.

Japanese banks accounted for much of this growth. They put on $23bn of new international assets, most of it to fund the affiliates of Japanese companies in other Asian centres. Japanese banks also continued to reduce their dependence on foreign finance.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 11

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	104¼	104⅝	+⅛	6.49
ALBERTA PROVINCE 9 3/8 95	600	106⅛	106⅝	+⅛	6.64
AUSTRIA 8 1/2 00	400	104⅞	105⅜	+⅛	7.65
BANK OF TOKYO 8 3/8 96	100	103⅛	104⅛	+⅛	7.30
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94⅞	95⅞		9.74
COPENHAGEN TEL 8 5/8 96 LFr	400	98⅛	99⅛		9.14
WORLD BANK 8 96 LFr	1000	97	98		8.93
ENERGIE BEHEER 9 3/4 98 Fl	500	102⅝	103⅛		8.20
[illegible]					

Remaining sections (Deutsche Mark Straights, Floating Rate Notes, Swiss Franc Straights, Yen Straights, Convertible Bonds): [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month †above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	67	0	12
Other Fixed Interest	11	2	4
Commercial, Industrial	632	148	672
Financial & Property	331	63	398
Oil & Gas	32	14	42
Plantations	1	0	8
Mines	28	10	109
Others	62	25	49
Totals	1,164	262	1,294

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt. Paid up	Latest Renun. Date	1992 High	1992 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	–	99	87	Amicable Smaller	99		N3.1	–	4.2	–
–	F.P.	–	38	27	Do Warrants	29		–	–	–	–
–	F.P.	–	423	375	Bodycote Intl. (RFD)	423	+6	8.75	3.0	2.8	13.5
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renun. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	104p	97½p	Bank of Ireland Units Non-Cum Prf A	104p	+½
-	F.P.	-	15p	8p	Brent Walker Var Rte 2nd Prf '00/07	13p	
-	F.P.	-	12p	7p	Do.8½pc 3rd Non-Cum Cnv Prf 2007/10	8p	-½
10p	F.P.	-	10p	8p	Botts Mining 10pc (Net) Cr Prf 1994	8p	
100	F.P.	-	107½	92½	Camborne Inds. 10½pc Pd. Deb. 2001	95½	
100p	F.P.	-	100p	100p	Fidelity Euro. Values Equity Ln 2001	100p	
105	F.P.	-	110	98	Greencore 9.5% Cnv Uns Ln Stk 1995	105	
-	F.P.	-	55½p	48½p	M & G Recovery Zero Div Prf 1p	55½p	+1
100p	F.P.	-	105½p	97p	NatWest Bank 9pc Prf Series A	105½p	+1
650p	P.P.	-	492p	330p	Thorn EMI Non-Int. Bearing Cr Units	490p	
‡	F.P.	-	75p	68p	Wembley (Ln Wat) Cr Cnv Prf 1999	68p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renun. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
63	Nil	12/6	21pm	5½pm	Resort Hotels	5½pm	-½

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. ¶ Placing price. †† Reintroduction. ‡ Unlisted securities market. § Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings May 1
- Last Dealings May 15
- Last Declarations August 6
- For settlement August 17

3-month call rate indications are also shown on this page.

Calls in Aegis, Amstrad, ASDA, BAT, BET, Blenheim, BTR warrants '94, Childrens Medical, Clarke Foods, Cupid, Essex Furn., Ferranti, J. Finlay, Gaelic Res., Lucas warrants, Medeva, Palma, Pittencrieff, Prospect Inds., Pelon, Real Time Control, Saatchi, Sanderson Elect., Shandwick, Sketchley, Trafalgar Hse., Tarmac and Wilshaw. Put in Tarmac. Puts and calls in Assoc. Brit. Foods and WPP.

LIFFE EQUITY OPTIONS

[illegible]

FT-SE INDEX (*2736)

	2550	2600	2650	2700	2750	2800	2850	2900
CALLS								
May	203	155	106	63	26	8	2	–
Jun	220	174	128	86	51	27	12	5
Jul	236	192	150	110	80	49	30	16
Aug	250	206	169	133	101	75	53	35
Dec †	–	275	–	210	–	148	–	90
PUTS								
May	1½	2	5	11	30	68	116	–
Jun	3	7	13	23	42	74	118	170
Jul	9	14	22	38	58	88	122	170
Aug	16	21	32	48	69	95	121	170
Dec †	–	52	–	82	–	125	–	190

May 11 Total Contracts 30,418
Calls 20,874 Puts 9,544
FT-SE Index Calls 4,533 Puts 5,105
Euro FT-SE Calls 479 Puts 60
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	14	Sears	9	■ OILS	
Allied-Lyons	48	Comm Union	34	Legal & Gen	22	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6½	Courtaulds	39	Lex Service	18	TI	48	BP	20
Astec (BSR)	3	Eurotunnel	29	Lloyds Bank	32	TSB	11½	Burmah Castrol	44
BAT Inds	10	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	7
BOC	50	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	32	Forte	21	Marks Spencer	27	T & N	11½	Premier Cons	2½
Barclays	28	GKN	30	Midland Bank	30	Unilever	70	Shell	33
Blue Circle	25	Gen Accident	38	NatWest Bank	26	Vickers	13	Tuskar Res	½
Boots	39	GEC	15	P & O Dfd	37	Wellcome	80	■ MINES	
Bowater	60	Glaxo	59	Racal Elect	5	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	35	RHM	16	Brit Land	19		
British Steel	6½	GRE	12	Rank Org	65	Land Sec.	34		
Brit Telecom	24	Hanson	18	Ratners	2½	MEPC	28		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

Parliament may have the power to block merger of banking assets

MPs could hold the whip hand

By David Owen

MEMBERS OF Parliament may have the power to block the merger of Lloyds Bank and Midland's banking assets if Britain's third largest clearer wins the battle for its rival.

Such a move, which could only occur after a Lloyds victory, would potentially undermine the commercial logic of the tie-up by limiting Lloyds' ability to improve the efficiency of a joint network.

Lloyds is competing with Hongkong and Shanghai Banking Corporation to take over its fellow clearer, which was once the world's largest bank.

The opportunity for MPs to intervene arises because of the need for an Act of parliament to transfer assets and liabilities from one bank to another.

Lloyds referred to this last month when it said that "the transfer of Midland Bank's assets and liabilities to Lloyds Bank would require an Act of parliament." The bank would expect this to take place in 1993, "thereafter all Midland Bank branch banking activities would be conducted under Lloyds Bank's name."

THE BATTLE FOR MIDLAND

The normal procedure for obtaining the Act would involve lodging a petition with the House of Commons on or before November 27, giving the private bill the chance to be processed in that parliamentary session.

It is quite common for private bills – which have historically been used chiefly to clear the way for the construction or extension of railway lines – to pass through the House unopposed and hence undebated.

Hongkong Bank argues that current concerns about the possible impact of a Lloyds-Midland merger on competition and employment levels in the banking sector are so pronounced that some MPs may decide to attempt to block the bill's passage. Even if they do not, it suggests, a referral of the Lloyds offer to the Monopolies and Mergers Commission would make it difficult for its rival to get its bill into the next parliamentary timetable. This could delay the lodging of a petition until November 1993 and the measure's enactment until July 1994 or later.

A little-used mechanism exists for the late lodging of petitions but express permission from the parliamentary authorities is needed.

Parliamentary officers state that in recent years fewer private bills have completed their passage through Westminster in a single session than formerly for a variety of reasons. Of bills for which petitions were lodged in November 1990, just four had received their assent by the end of the parliamentary year in 1991 against 19 which had not.

Hongkong does not expect its own proposals to require the passage of a private bill because it intends to run Midland as a discrete entity. Mr Bernard Asher, a Hongkong Bank executive director, disclosed last week that the bank would nonetheless make cuts in Midland's 1,900-strong branch network and in its treasury operations.

Lloyds advisers think it unlikely that MPs would seek to impede the private bill's progress because the takeover to which it related would by then have received the authorities' blessing and because of the additional uncertainty for Midland account-holders such a course of action would provoke.

They do not anticipate that the time a bill would take to pass would present a problem because Lloyds would not wish to effect the transfer of assets immediately following a takeover. "The timetables tend to mesh," said one adviser.

Senior executives of both Midland suitors will have meetings with Conservative backbenchers later this week.

Bifu welcomes jobs assurance from Hongkong Bank

By Catherine Milton, Labour Staff

BIFU, the banking union, yesterday welcomed indications from Hongkong and Shanghai Banking Corporation that most jobs would be safe if it acquired Midland Bank.

In a letter to Mr Leif Mills, Bifu general secretary, Hongkong Bank said its primary rationale for the acquisition was growth rather than cost cutting

Bifu opposes the rival bid from Lloyds Bank on the grounds that 30,000 jobs would be shed after the takeover and 1,100 branches would close.

The letter adds: "It is not our intention to supplant Midland management." It says the two banks do not offer overlapping services and confirms Midland would retain its name and identity in a merger with Hongkong Bank.

Mr Mills, speaking to the union's annual conference in Bournemouth, said: "This confirms the continued existence of Midland Bank and gives reassurance to staff.

"It is in stark contrast with the brutality of the Lloyds position."

Many delegates from both Lloyds and Midland spoke in support of an emergency motion condemning Lloyds' bid. Delegates expressed fear of victimisation of those who spoke out and said morale among staff in both banks was low.

Mr Mills has agreed to attend top level meetings at both Hongkong Bank and Lloyds this Thursday.

Leif Mills: meetings with Hongkong and Lloyds banks

Resolution of Maxwell insurance claim nears

By Jimmy Burns and Richard Lapper

PROTRACTED negotiations over unresolved insurance claims connected to the mysterious death of Mr Robert Maxwell last November appear to be reaching a final phase.

It emerged yesterday that Mr Roger Rich of loss-adjusters Rich Wheeler & Company, who is acting on behalf of the insurers, had travelled abroad to complete his final investigations into Mr Maxwell's death.

It is thought that Mr Rich may be in Villefranche-sur-Mer, on the Cote D'Azur, where the Lady Ghislaine, Mr Maxwell's boat from which he fell overboard on November 5, is for sale.

A group of insurers, including Lloyd's syndicates and London market companies, stand to pay £20m if it can be shown that Mr Maxwell died from accidental causes.

Mr John Fisher, claims manager for Lloyd's syndicate 782, which led the policy, said that the insurers had met last week with Hextall Erskine, the solicitors, and that the matter was now in their hands.

Six months of negotiations involving the insurers, the Maxwell group of companies, and Arthur Andersen, the Maxwell administrators, have failed to lead to an agreement, with neither side providing conclusive proof as to the cause of death.

In February, Lloyd's made an initial announcement saying that they were not prepared to pay up the policy as, in their view, there was no liability.

An earlier report by Rich Wheeler concluded that the evidence suggesting Mr Maxwell took his own life was "more compelling than any other cause".

Since Mr Maxwell's death the Lady Ghislaine has been moved from Gibraltar to Mallorca and on to Antibes in a continuing attempt to find a buyer. It is understood that Camper & Nicholson, the agents, have reduced the initial asking price of $24m (£13.5m) for the 55m yacht.

Institutions fail to block Bosch's bid for Worcester

By Norma Cohen, Investments Correspondent

A GROUP of institutional investors in Worcester Group, the UK's largest manufacturer of combination boilers, has failed to block an agreed bid for the company by Robert Bosch, the German industrial conglomerate.

The institutional shareholders had claimed to the Takeover Panel that the bid considered management's interests at their expense.

The institutions, holding 27 per cent of Worcester's shares, said they were concerned the offer could set a damaging precedent for non-management shareholders in future.

"As a matter of principle, it was important for us to pursue the matter," said Mr John Thompson, head of UK equities at Standard Life who was active in formulating the challenge.

The shareholders argued that the offer violated the first principle of the Takeover Code which requires all shareholders to be treated fairly.

The shareholders sought to challenge a decision by the Takeover Panel's executive which approved the agreed bid for Worcester offering management different terms to those offered to shareholders. Worcester is 38 per cent owned by members of the management and their families.

Before making its offer public, Bosch also obtained irrevocable commitments to tender shares from investors holding another 13 per cent of Worcester, making it impossible for any other bidder to succeed with a counter offer.

Standard Life and five other institutional shareholders retained City stockbrokers Cazenove to represent them before the panel.

Under terms of the agreement, institutional shareholders will receive 225p in cash for each of their shares while members of the management will have a stake in a new company and can earn up to 393½p per share when they are finally bought out by Bosch in 1996. However, they may earn as little as 100p per share depending on the company's performance.

Yesterday, the panel, while conceding that management shareholders were receiving different terms than other shareholders, said it accepted the assertion of Worcester's financial advisers, Smith New Court, that the value of the two offers were roughly equal.

"On the evidence provided to it, the panel saw no reason to question these judgments and, in addition, the panel was satisfied that the appropriate risk as well as reward was present in relation to the management shareholders' retained equity interest," the Takeover Panel said in a statement yesterday.

Meanwhile, Mr Peter Lee, deputy director general of the Takeover Panel executive, said the decision should not be seen as precedent setting. "I don't think any inferences should be drawn about future cases," he said.

Sidlaw advances 41% to £4.6m

By Peggy Hollinger

SHARES IN Sidlaw outperformed the market yesterday with a 6 per cent rise to 296p as the the oil services, packaging and textiles combine revealed interim profits 41 per cent ahead at £4.6m and a 14 per cent increase in the dividend.

Mr Digby Morrow, chief executive, said the profits increase reflected the success of attempts to "carefully position" the group. Sidlaw expanded into packaging three years ago to offset the more cyclical oil and textiles sectors.

Turnover rose from £40.6m to £45m for the six months to March 31. The interim dividend is raised to 3.75p (3.3p), payable from earnings 34 per cent higher at 9.5p.

The packaging division lead the way, with operating profits £700,000 higher at £2m, on sales 18 per cent higher at £18m. A two point rise in margins to 11 per cent and the inclusion for six months of Venus, the flexible packaging company acquired last year, was behind the increase in profits.

Mr Morrow said the group intended to invest heavily in capital equipment. Some £3m was budgeted for packaging expenditure in the next 12 months.

Oil services, where Sidlaw provides warehousing, manpower and management skills to the North Sea oil industry, enjoyed a £400,000 rise in profits to £2.7m.

The benefits of the joint venture with the Dutch Smit group – which aims to provide supply chain management to on- and off-shore oil producers internationally – would not make a significant contribution for about three years, he said. The venture, announced in March, is expected to cost Sidlaw an initial £500,000.

Textiles increased margins and profits in a difficult environment. The operating return increased from £400,000 to £500,000.

Gearing fell from 26 per cent at the year-end to 21 per cent. Mr Ian Bodie, finance director, said this was expected to fall to less than 20 per cent and possibly as low as 15 per cent by the year-end.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aberdeen Trust	int	1†	July 16	1	-	2.5
Bisichi Mining	fin	0.6	Aug 28	0.6	0.6	0.6
Elswick	fin	nil	-	0.38	0.22	0.6
Huntingdon	int	0.875†	-	0.875	-	2.775
LAIT	fin	0.48†	Aug 28	0.45	0.53	0.5
Parkland Textile	fin	1	July 10	1	2	2.5
Sidlaw	int	3.75	July 20	3.3	-	9

Dividends shown pence per share net except where otherwise stated. †On increased capital.

Windsor back in the black with £102,000

By Richard Lapper

WINDSOR, the specialist sports and leisure industries insurance broker, has returned to the black following an internal reorganisation.

The group recorded pre-tax profits of £102,000 for the six months to March 31, against losses of £373,000 last time.

Operating income fell to £3.21m (£3.82m), largely reflecting the impact of the sale last November of Bishopscourt Financial.

Earnings per share of 0.21p compared with losses of 1.13p.

Overall, the group generated about 20 per cent of its income from sports insurances, of which about a tenth is earned in the US.

Mr Mike Eagles, chief executive, identified various types of prize indemnity insurances – technically known as contingency policies – as attractive growth areas.

These policies cover the cost of paying bonuses to successful players or teams or prizes to winners of competitions designed to promote particular sports events, such as grand prix or golf tournaments.

Windsor has recently broadened its base away from traditional property and liability insurances for the UK's football league clubs to develop its business in golf, motor racing, snooker, tennis and boxing.

It also specialises in leisure industries sectors such as advertising agencies, commercial radio, restaurants and hotels, which contribute between 25 and 27 per cent of its income. It also places insurance in the London market on behalf of retail brokers specialising in high risk areas such as demolition contracting and asbestos removal.

Correction
SmithKline AGM

SmithKline Beecham's AGM will be held at 2pm tomorrow in the Queen Elizabeth 11 Centre, Broad Sanctuary, Westminster, not at 11.30am as reported in yesterday's Week Ahead column.

Rumours of Sorrell's departure denied

Refinancing appears to offer best hope for WPP, reports Gary Mead

THE IDEA that WPP's banks are seeking the removal of Mr Martin Sorrell, chief executive, as part of the price for agreeing a new financing package for the $1bn-indebted international marketing services group, was roundly denied yesterday.

Mr Paul Judge, a recently-appointed non-executive member of WPP's board and chairman of Food From Britain, the British trade support body, said yesterday: "I have heard no suggestion from the banks that Mr Sorrell should change his role."

He added that the role of chairman and chief executive would not be merged, though it was becoming increasingly likely that Mr David Ogilvy, WPP chairman, now 81, would probably retire soon.

Mr Rupert Faure Walker of Samuel Montagu, WPP's advisers in its bank negotiations, said: "I have seen only total support for Mr Sorrell, both among the banks and within the operating companies. There is no intention of any of the banks to see a change of chief executive."

On Friday evening WPP announced that the co-ordinating committee – Bankers' Trust, Barclays, Citibank and JP Morgan – of its 28 member banking syndicate, had agreed in principle to a rights issue, the proceeds of which would be used to reduce the group's debt.

Under the terms of the proposal, which must now be put to the syndicate and existing shareholders, the banks could end up owning slightly more than 50 per cent of the group's equity. The $1bn debt could be reduced by as much as 25 per cent.

Ashley Ashwood

Still smiling: David Ogilvy, left, and Martin Sorrell

The latest re-financing package follows a $1bn (£558m) restructuring package completed in April 1991, which saw WPP incurring a 'success fee' of slightly more than £10m payable to its banks. The latest package will cost the company a similar amount.

WPP has to repay or refinance $400m of its debt by June 1993 and repay the remaining $604m four years later. It is unable to offer any dividend payments at least until June 1993.

By coming up with a new measure to keep WPP going, the banks appear to have decided that other options, such as forcing disposals, would not have produced attractive returns.

In March WPP stated its intention to sell Scali McCabe Sloves, a US agency, as well as some market research subsidiaries. Mr Sorrell said at the time he hoped to raise some $200m. However, buyers have so far failed to materialise.

The rumour that Mr Sorrell might be forced to leave or switch roles had gained ground in the last couple of weeks. Mr Sorrell himself declined to comment on his position yesterday.

A banker involved in the negotiations said yesterday: "Each of the 28 banks in the syndicate have some 10 people involved in the negotiations at some level. It is not surprising that some of that group look at WPP, see it as a problem on their books and want to find a single individual to blame.

"But those private views do not represent the thinking of the most senior figures in each of the banks involved."

Analysts took the view that the removal of Mr Sorrell would not be sought by the banks at this stage, if at all. But some argued that WPP's board needs a new senior executive presence to act as a counter-weight to him.

Analysts also believed that there was a good chance of the rights proposal being backed by the banking syndicate. Mr Richard Dale of Smith New Court said: "The steering committee will not have gone this far without feeling there is a good chance of it going through with the rest of the banks."

If the new proposal does get the full syndicate backing, then it is unlikely that shareholders will resist it. By the end of June, Mr Sorrell and WPP will probably have bought more breathing space. However, given that most estimates for increased advertising spending are still very low – perhaps an increase of 2 per cent throughout the world this year – WPP may still have to cut costs further, before the drama is played out.

Receivership for Betta Stores

By John Thornhill

BETTA STORES, the privately-owned Hampshire-based grocery chain, has gone into receivership just two years after it was formed through the purchase of 51 stores from Budgens. About 850 jobs are at risk.

The company, which currently runs 47 neighbourhood stores in southern England, said there was a "combination of reasons" for its collapse but blamed the recession as the biggest contributory factor.

In March 1990, Betta Stores, headed by Mr Tony Sanderson, a former chief executive of Circle K, paid Budgens £10.5m in cash and £2m in stock in consideration for the stores. But Budgens provided a secured subordinated £2m loan to Betta Stores - repayable by 1994 - and struck a two-year supply deal with the company.

COMPANY NEWS IN BRIEF

RADIOTRUST: net asset value at January 31 50.2p (57.2p): pre-tax loss for year to end-January £46,927 (£64,067): losses per share 0.3p (0.89p).

STRATAGEM has agreed to sell Visitronic, Visirecord and related assets which are engaged in computer software systems, stationery and related products for the motor trade to Kalamazoo Computer. Initial consideration is £450,000. Further payments totalling £300,000 will be made in instalments beginning in May 1993. Further deferred consideration up to £300,000 are performance-dependent.

WORTH INVESTMENT Trust: After-tax revenue was £9,000, against £94,000, for the year to March 31, equal to earnings of 0.03p (0.58p). The dividend is cut to 0.1p (0.21p). At year-end net asset value per share stood at 25.16p (33.54p). The fall in NAV reflected a write-down in the valuation of unlisted investments.

Ensign takeover results in restructure

By Philip Coggan, Personal Finance Editor

IVORY & SIME and the Merchant Navy Officer's Pension Fund have entered into a complex restructuring deal, following the takeover of Ensign Trust.

MNOPF has bought out the minority shareholding in Ensign, an investment trust managed by Ivory & Sime. The management contract for Ivory & Sime had three years to run.

The quoted element of Ensign's portfolio is being transferred to other managers but the unquoted element of about £51m will continue to be managed by Ivory & Sime.

MNOPF is buying out the old management contract at a cost of £2m, and Ivory & Sime will henceforth manage the unquoted funds for £400,000 per year. In addition, Ivory & Sime will manage a smaller companies fund on behalf of MNOPF. The initial capital of this fund will be £12m, but it is expected to rise to £40m.

Meanwhile, Ivory & Sime will buy in 7.2 per cent of its shares, currently owned by Ensign. This will be done at a cost of £2.4m – effectively using up the proceeds of the contract pay-off – and will enhance earnings per share. Ensign's stake in Ivory & Sime will fall to 18.5 per cent.

Aberdeen Trust up by 77% to £1.04m

By James Buxton, Scottish Correspondent

ABERDEEN TRUST, the fund management company, yesterday reported pre-tax profits up 77 per cent, from £584,000 to £1.04m, for the half year to March 31.

The improvement, however, reflected the elimination of exceptional costs. Operating profits dipped from £1.21m to £1.04m.

Earnings per share were 0.97p (0.75p); the interim dividend is unchanged at 1p.

Mr George Robb, chairman, said that Cheval Investment Management, which manages fixed interest funds for clients of Lloyd's of London, increased funds under management by £75m to £400m as Lloyd's acquired new clients.

Funds under group management were £1.1bn at the period end, compared with £775m on September 30 1991.

Unlike most Scottish fund management groups which prefer to centralise their fund management function, Aberdeen yesterday opened an office in Singapore to manage funds in south-east Asian companies and assist marketing to clients in the region.

GKN sells Australian scaffolding operation

By Richard Gourlay

GKN, the UK engineering and automotive components group, yesterday announced it had sold its scaffolding business in Australia for A$45m (£20.5m) after an unsolicited approach from a locally quoted group.

The UK group has also swapped some of its loss-making Australian plant rentals branches for mobile lift equipment with Kennards Rentals of Australia, in a deal involving no cash.

"We have taken two useful steps to improve the prospects in the Australian construction market," GKN said. The construction market was "in dire straits" and there were few signs of improvement. GKN Kwikform, the Australian subsidiary, would still be losing money after the reorganisation.

Waco International, the buyer which is already in the scaffolding business, will pay GKN A$33m immediately and the balance over five years. GKN's scaffolding division had sales of A$35 in 1991 and suffered a small trading loss.

GKN Kwikform will be left with three divisions; the slimmed-down plant rentals business; light access equipment; and temporary accommodation units.

Acquisition behind growth to £3.37m at Huntingdon

A STRONG performance from Travers Morgan, the international consultants acquired for £9m in November, helped Huntingdon International Holdings, the life sciences and engineering services group, show an improved performance for the second quarter to March 31.

Pre-tax profits were up by 3 per cent to £3.37m (£3.22m) as Travers Morgan was further integrated, boosting sales and improving profit margins.

Turnover, net of subcontracts, rose by 42 per cent to £36.8m. Sales and operating profits in the life sciences group improved 10 and 12 per cent respectively.

Earnings per share were unchanged at 3.8p; per ADR they were 24 cents (24.4 cents).

Taking in these figures, profits for the six months to end-March amounted to £6.95m (£7.3m), achieved on turnover of £65.8m (£52.8m).

Earnings emerged at 5.6p (6.1p), or 48.5 cents (52.8 cents). The interim dividend is maintained at 0.875p.

Whyte & Mackay expected to renew Invergordon bid

The city now firmly expects Whyte & Mackay, the UK drinks subsidiary of American Brands, to renew its bid later this year for Invergordon Distillers, the independent Scotch whisky company, writes Philip Rawstorne.

Invergordon's shares, which have risen sharply in recent weeks, closed yesterday at 330p – 55p above W&M's final, unsuccessful offer last October.

W&M, which holds a 41.3 per cent stake, made its presence felt at the distiller's annual meeting last week.

LEGAL NOTICES

COMPANY NEWS: UK

Elswick edges ahead to £2.25m

By Jane Fuller

ELSWICK, which is focusing on print and packaging after divesting from bicycles, slightly improved pre-tax profit last year, but was unable to pay a final dividend because of below-the-line losses.

The pre-tax figure went up to £2.25m (£2.22m) on sales of £59.9m (£58.2m) in the year to January 31. A small decline in operating profit to £3.29m (£3.4m) was offset by reduced interest payments of £1.03m (£1.17m).

In December the group sold Falcon Cycles, ending more than 100 years of involvement in the bicycle industry. Operating losses as well as the deficit on the disposal were included in extraordinary charges. The £3.66m total also took in the cost of closing a US domestic lawnmower business.

After a £2.15m drain on reserves, the group was left with a deficit on its profit and loss account, preventing a final dividend from being paid.

Mr Bill Cross, chairman, said this was a "technical glitch". The share premium account would be used to eliminate the deficit and dividend payments should resume with this year's interim.

The core print and packaging division, involving self-adhesive labels, garment labels and foil, made an operating profit of £2.64m (£2.61m) on sales of £26m (£24.3m). Mr David Cross, chief executive and son of the chairman, said about £16.5m had been spent between 1987 and 1990 on acquisitions to establish the division. Capital spending amounted to more than £13m in the past five years and a further £2.8m was scheduled for this year.

The equipment and services division saw profit fall to £644,000 (£1.01m) on sales of £23.6m (£23.9m). The benefits of cost-cutting and reorganisation should begin to flow through next year, he said. The businesses were being run as "cash cows" and would eventually be sold.

Bank borrowings fell from £4.96m to £518,000 with the help of the disposal and cuts in working capital. However, counting about £4.5m of loan notes, year-end gearing stood at 77 per cent on shareholders' funds of £6.54m (£8.8m).

Diluted earnings per share fell to 0.98p (1.02p). Omission of the final dividend leaves shareholders with just 0.22p (0.6p) for the year.

● COMMENT

While there might be some investor annoyance at the failure to pay a final dividend, welcome by-products are a £1m saving and a lower base from which to rebuild cover. Last year should also have been a low point for pre-tax profit, with benefits to come from the expansion of print and packaging, margin improvement in equipment and services and lower interest costs. A rising tax charge should be the only drag on earnings. The turnround story has been rather drawn out since the present management came to the rescue in 1985. With bicycles no longer putting a spoke in the wheel, the ultimate proof of the strategy will be the delivery of significant profit increases from print and packaging. A forecast pre-tax profit of £2.8m gives a prospective p/e of nearly 11 on yesterday's close of 10½p, not expensive for the sector.

Inquiry into ICI and Du Pont deal

By Andrew Hill in Brussels

The European Commission has opened a one-month preliminary inquiry into the agreement between Imperial Chemical Industries and Du Pont of the US to swap their nylon and acrylics businesses.

Such inquiries are triggered automatically if the merger crosses EC thresholds on turnover.

If the Commission decides after a month that it has "serious doubts" about the deal's effect on competition it will mount an in-depth investigation, which could last up to four months.

If it is still unsatisfied, the Commission can then block the merger or impose conditions.

Parkland sees better margins as losses are cut

By Peter Pearse

MR DENIS Greenwood, chairman of Parkland Textile (Holdings), said that the woollen yarn, worsted cloth and clothing manufacturer was coming out of recession and that in the current year he expected to see a rise in turnover and improved margins.

The group reduced pre-tax losses from £3.6m to £2.17m in the year to February 28. Losses in the second half were cut to £796,000 from the £1.37m incurred in the first six months.

However, stripping out last year's £2.11m exceptional charges and increased interest this time of £957,000 (£351,000), left full-year trading losses fractionally up at £1.21m (£1.14m). Turnover slipped to £49.4m (£50.7m).

Despite the completion of most of the capital expenditure programme, the interest bill did rise after what Mr Greenwood said he hoped would be the last significant payments.

He said that wool prices had slowly risen in the past four months after the decline in 1991, thereby stabilising the market, but he added that, in the period under review, margins had been "poor", with the core Parkland Textile weaving business the weakest performer in the group.

Knoll Spinning was now showing signs of improvement, Mr Greenwood said, and Yorkshire Yarn Dyeing had a "satisfactory" year in the context of the depressed industry. In the garments division, the market remained competitive, though more of the production has been moved abroad, easing margins.

Current orders across all divisions were being taken on much stronger margins, he said. Low demand in the UK and the return of sales in the Middle East to more normal levels led to an increase in exports from 10.4 to 15.2 per cent.

Losses per share were more than halved to 19.9p (43p) and the final dividend is held at 1p for a total of 2p (2.5p).

Purchasing a tight grip on European hosiery

Peggy Hollinger considers the questions surrounding the rapid growth of Hartstone

MR STEPHEN Barker is a goliath in the world of tights and handbags. When Hartstone publishes its results on Thursday, investors will be keen to learn how this soft-spoken giant's ambitious plans are measuring up.

Pre-tax profits at the acquisitive hosiery and leathergoods group are expected to have leapt from £7.3m to between £21m and £22.5m, while turnover will have more than trebled to about £237m.

The dividend should be raised by at least 50 per cent to 4.85p.

The architect of Hartstone's rapid expansion is undoubtedly Mr Barker, the former accountant who picked up his skills under the tutelage of dealmakers such as Mr Michael Ashcroft of ADT and Mr Tony Millar of Albert Fisher, the fruit distributor and processor.

It is perhaps his employment history, and the similar patterns of rapid growth by acquisition, which have contributed to uncertainty about Hartstone. Rumours about trouble bedding down the two European hosiery companies acquired in January and black holes in its US leathergoods operation were among several which gave the share price a rough ride last month.

The price has since more than recovered to finish last night 5p up at 279p, while the company dismisses the speculation as completely false.

Nevertheless, analysts say the uncertainty reflected in the volatile share price is something which must be addressed in this week's results. "It is what's going on underneath [at Hartstone] that is difficult to establish," said Mr Alistair Irvine of Smith New Court. "They will have to make sure the numbers are totally clean, so no-one can come back to ask what's going on."

Heavy caseload: Stephen Barker, growth architect

The difficulty lies in Hartstone's rapid transition via three rights issues and more than 20 acquisitions from a dull UK hosiery company called Glamar to Europe's third-biggest hosiery group and the world's largest distributor of leather goods.

The UK hosiery and leathergoods side, last year the largest of its businesses by far, now represents 25 per cent of sales.

The purchase of Aznar, Spain's second largest hosiery company, and Cogetex, number two in France, propelled Hartstone into the European big league. Mr Robert Stockfis, an independent analyst with the Metropolitan Optima publication, is forecasting that these two companies will have contributed about £16m in turnover and £1.5m in profits for just two months of 1991-92.

The logic of combining the Spanish and French companies under one roof is such that the original management might be forgiven a twinge of regret upon hearing that Hartstone had negotiated the agreements simultaneously and, not surprisingly, in secret.

"Had we known, Hartstone would not be here now," said Mr Michel Urbain, managing director of Cogetex.

In the five months since Hartstone moved in, 20 per cent of Cogetex's finished output has been transferred to Aznar's under-utilised, state-of-the-art factory in Valencia. The Spanish company is supplying 15 per cent of Cogetex's yarn needs, and 20 per cent of the materials for the UK hosiery operation.

Aznar has also introduced Cogetex's Well brand to all leading Spanish supermarkets, as part of Hartstone's drive to create a pan-European brand of tights.

Furthermore, the acquisitions have given Hartstone the purchasing power to negotiate raw materials deals with manufacturers such as Du Pont, which analysts estimate could save it more than £2m in the present year.

The company has been equally astute in its raids on the fragmented leathergoods market. Most of this operation is in the US, where Michael Stevens and Etienne Aigner were bought last year.

Growth at Michael Stevens, the handbag and leathergoods supplier, has outstripped even Mr Barker's high expectations. Sales are expected to reach $95m in the year just finished, up from $45m last time.

Analysts have calculated that the benefits of Michael Stevens' buying power in the Far East will help the North American leathergoods division, included for the first time, to contribute profits of more than £13m.

European leathergoods, although much smaller, will also find some benefits in Michael Stevens' sourcing powers. Already the US company is selling to Hartstone's UK companies, such as Lanca.

Analysts expect this division, enlarged by some small acquisitions, to show sales of about £44m, up from £28.5m, and profits of about £4.8m, compared with £3.8m.

Mr Barker's integration theory also offers the promise of benefits across divisions. By the end of the year, he said, the hosiery companies would have introduced the leathergoods products to continental supermarkets and Aznar warehouses would be storing leather products.

But such ambitious plans are a long way away from what company watchers will want to know next week. If Hartstone is to make the psychological transition from small company to large – and quell some of the market uncertainties – it will have to convince fund managers and analysts who have had their fingers burnt by the likes of Albert Fisher.

That means that several longer-term questions will have to be answered. For instance, what happens to an acquisitive company's growth record when new accounting practices begin to hit earnings through above-the-line costs? More importantly, after rationalisation and reorganisation, how much more growth can be extracted from a mature market such as hosiery? Finally, will there have to be a third leg to maintain growth, and if so, what?

Mr Barker makes no secret of his ambition to move into lingerie. Conveniently, Hartstone has taken an option to buy Aznar's lingerie arm, Aznar Industrial. However, European lingerie, dominated by well-established names such as Cacharel, may prove a more difficult market.

NEWS DIGEST

Southern Radio at £165,000

SOUTHERN Radio, formed last November via the reverse takeover of Invicta Sound, reported profits of £165,000 pre-tax for the six months to March 31.

The outcome included a four-month contribution from Radio South.

Mr Robert Sperring, chairman, said that advertising revenue has "shown encouraging signs that business confidence is returning".

Earnings per share worked through at 0.71p but "due to the continuing volatility of advertising expenditure" no interim dividend is proposed. Directors hope to resume payments at the year-end.

New management for BAA hotels

BAA, the airport company, has brought its involvement in hotel management to a close by handing the operations of its two remaining airport hotels, at Heathrow and Stansted, to Hilton.

The Heathrow Sterling hotel will become a Hilton International while the Stansted Harlequin will be a Hilton National. The mangement will be undertaken on 50 year leases.

Wellman makes £0.7m purchase

Wellman, the Midlands-based specialist engineer, has acquired Midcast Engineering, a manufacturer of aerospace components for Boeing, LTV, Textron and British Aerospace.

To finance the £726,000 purchase Wellman has raised £1.07m via the issue of 2.9m new shares which have been conditionally placed with institutional investors.

LAIT improves 21% to £1.03m

Pre-tax profits of London & Associated Investment Trust, which was recently reclassified as a property company, improved by 21 per cent to £1.03m for the year to end-December.

Earnings per share declined to 1.14p (1.34p). A proposed final dividend of 0.48p lifts the total to 0.58p (0.5p) on the capital increased via last summer's £5m rights issue.

Year-end gearing amounted to 32 per cent and cash deposits currently stand at £3m.

The group's property portfolio of more than 500 shops, which currently produces a rental income in excess of £4m per annum, will be externally valued at December 31.

● Profits of Bisichi Mining, which is 40 per cent-owned by LAIT, slipped from £137,000 to £106,000 pre-tax over the 12 months to end-December. Earnings amounted to 0.75p (1.01p) and the dividend is a same-again 0.6p.

United Energy in the red

United Energy, the USM-quoted oil and gas investment company enlarged via the acquisition of AmBrit International for £7.1m earlier this year, incurred a pre-tax loss of £127,000 for 1991.

The loss, which compared with previous profits of £79,000, was largely due to low oil and gas prices throughout the 12 months. Turnover expanded from £116,000 to £377,000, reflecting the first full year of trading activities.

Losses per share emerged at 1p (earnings 1.2p). Directors said completion of the capital reduction and share consolidation exercise provided the ability to pay dividends out of future profits.

Sterling Industries £1.58m acquisition

Sterling Industries, the engineering group, has acquired Thermo Engineers for £1.58m cash from Spectrum Group (Holdings).

Thermo makes heat control equipment and reported pre-tax profits of £323,000 in the year to May 31 at which date net assets were £3.32m. At completion they are expected to be £1.73m.

Coats calls halt to Lantor talks

Coats Viyella, the UK's largest textile company, has called a halt to talks concerning its proposed sale of Lantor, the non-woven materials business, to the privately owned Freudenberg Group of Germany. Coats said that Lantor, acquired as part of Tootal last year was not now for sale.

Mr Sam Dow, Coats company secretary, said that the sale had been cancelled to "settle the minds of shareholders", adding that agreement on price had not been reached. In March, it was thought Lantor might fetch less than £25m: when Tootal bought the 49.9 per cent it did not already own in 1988, the valuation of the whole company was nearer £40m.

Mr Dow also said the interest of the German Cartel Office could have added about four months to the disposal discussions.

Avon Rubber sets up joint venture

Avon Rubber, the automotive components company, has agreed to a joint venture with Clevite Elastomers, the US vehicle suspension systems group.

Clevite is paying £4.9m for a 49 per cent stake in Avon-Clevite which will operate Avon's new components factory in Chippenham, due to open soon.

Leveraged Trust net assets ahead

Net asset value per share of the Leveraged Opportunity Trust stood at 113.1p at March 31 1992.

This represented a 25 per cent improvement on the 90.7p at the October 30 year-end and a 35 per cent rise from 84.1p a year previously.

Net revenue for the interim period was £22,000 (£20,000). Earnings per share grew to 0.29p (0.27p).

Downturn at First Ireland

After-tax revenue of the First Ireland Investment Company fell from £718,000 to £589,000 over the 12 months to March 31, equal to earnings of 1.1p against 2p. The dividend is lifted by 0.18p to 1.18p.

Dealings in the company's shares commenced on March 15 1990 and since then net asset value per share has fallen by 19.9 per cent in sterling terms and by 16.8 per cent in Irish currency terms.

Brewers in trading link

Marston, Thompson & Evershed and Wolverhampton & Dudley, the Midlands regional brewers, have signed a reciprocal trading agreement designed to strengthen their competitive position against the national brewers.

Under the agreement, W&D's Banks's Mild ale will be distributed in nominated pubs in Marston's estate, and Marston's Pedigree bitter will be distributed in selected W&D outlets.

Low & Bonar makes Dutch purchase

Low & Bonar, the Dundee-based packaging company, is paying Fl 36.6m (£11.1m) cash for Koninklijke Tufton (Royal Tufton), a specialist floorcovering company based in the Netherlands.

Royal Tufton reported 1991 pre-tax profits of Fl 5.5m on turnover of Fl 55.1m. Net assets at the end of the year were valued at Fl 15.4m.

Albany Inv Trust net assets improve

Albany Investment Trust had net asset value of 112.15p at February 29, up from 105.49p the year before, but down from the 117.94p six months earlier.

Post-tax profits attributable to shareholders rose to £432,811 (£490,163).

The proposed final dividend is lifted to 2.65p for a total of 3.9p (3.7p). Earnings emerged at 4.38p (4.08p) per share.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims- Fenner, Fidelity Japan OTC, McLeod Russel, Manakin, Vaux.

Finals- Contra-Cyclical Inv, Dorelon Tyson.

FUTURE DATES

Interims-

Caspon Oil	May 14
Chrysalis	May 19
New Zealand Inv Tst	May 20
Warner Estate	May 21

Finals-

Airflow Streamlines	May 21
Atkins	June 2
Bristol Water	June 24
Castings	May 22
Cater Allen	June 11
Chester Waterworks	June 1
City Of Oxford Inv Tst	May 19
Denmans Electrical	July 15
Firstland	May 13
North West Water	May 28
Northumbrian Water	June 10
Powell Duffryn	June 2
Sedgwick	May 19
Smith St Aubyn	May 14
Stratton Inv	May 18
Trimoco	May 22
Vodafone	June 9
Warnford Inv	May 14
Wessex Water	June 23

LEGAL NOTICES

Advertisement of Creditors' meeting under Section 48(2) of the Insolvency Act 1986.
Registered No 2057069 Registered in England.

PAGE PRINTER APPLICATIONS PLC
(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Cork Gully, 6 Greyfriars Road, Reading RG1 1JG at 10.00am on Friday, 22 May 1992 for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if:

(a) they have delivered to me at the address shown below, no later than 1200 hours on Thursday, 21 May 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his behalf.

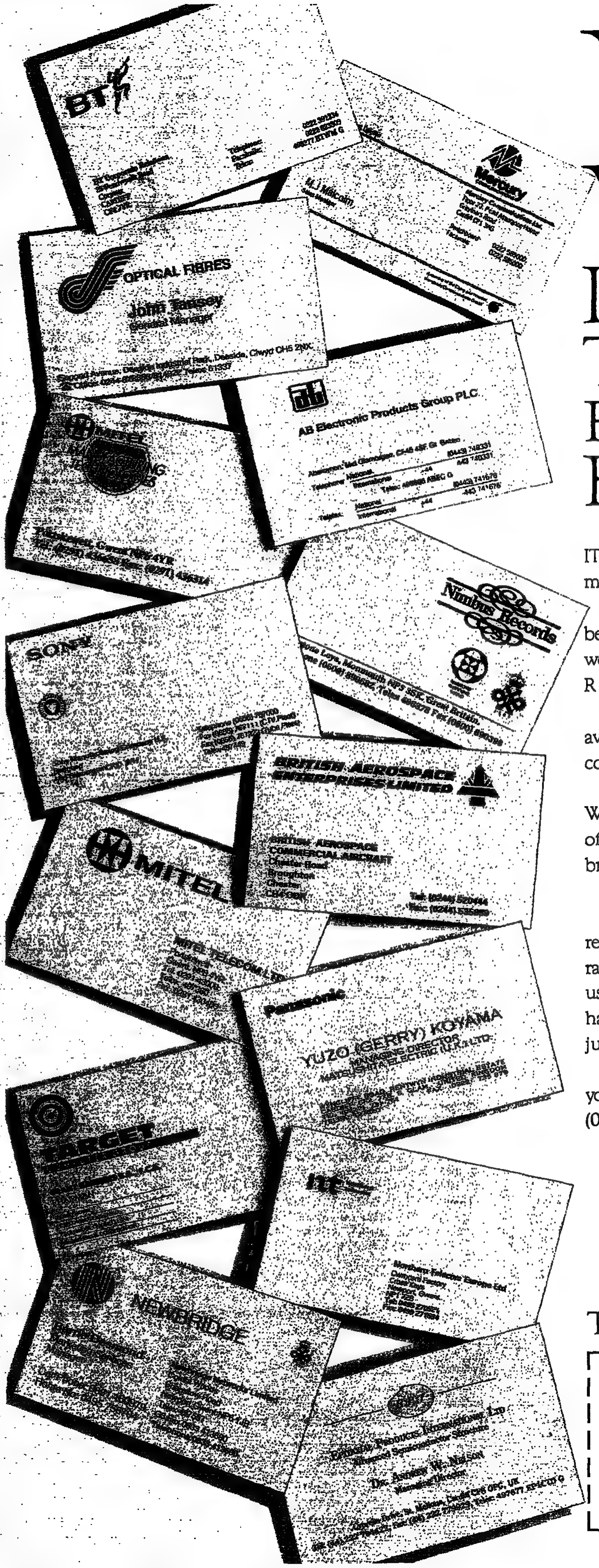
Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Signed J M Iredale Joint Administrative Receiver.
Date 5 May 1992
Address to which proxies should be delivered: J M Iredale, Cork Gully, 6 Greyfriars Road, Reading, Berkshire RG1 1JG

The Insolvency Act 1986.

PURPAX PLASTICS LIMITED
(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at Cork Gully, 9 Greyfriars Road, Reading, Berks. RG1 1JG on 22 May 1992 at 10.30am for the purposes mentioned in Sections 99 to 101 of the said Act. A list of the names and addresses of the company's creditors may be inspected free of charge at 9 Greyfriars Road, Reading, Berkshire on the last two business days prior to the meeting. Creditors wishing to vote at the meeting must (unless they are individual creditors attending in person) lodge their proxys at 9 Greyfriars Road, Reading, Berkshire no later than 12.00 noon on 21 May 1992.
Dated this 5 May 1992.
By Order of the Board. J M Fuller Director



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Position: ______________________

Company name and address: ______________________

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Deals likely this year for Indonesia's $15bn gas field

By William Keeling in Jakarta

NEGOTIATIONS FOR the development of the giant Natuna gas field, which would carry Indonesia's liquefied natural gas industry into the next century, should be completed this year, industry officials have said.

The Natuna field has reserves estimated at 45 trillion (million million) cubic feet and is situated north-east of Natuna island in the South China Sea. Esso Indonesia has a 50 per cent interest in the field, with Pertamina, Indonesia's state-owned oil and gas company, holding an equal stake. Development of the field, which would take eight years, is expected to cost about US$15bn. More than half the cost is accounted for by the heavy platforms and technology required to handle the gas, which has a 70 per cent carbon dioxide content.

Indonesia must bring the field on stream if it is successfully to renegotiate long-term LNG export contracts with Japan, which begin to expire in 1998. The contracts are supplied by the Arun field off north Sumatra but the latter has insufficient reserves to guarantee further 20 year contracts.

An industry executive close to the negotiations said government officials accepted that an agreement had "to be concluded soon for Natuna to come on stream by 1999. They recognise that Indonesia must catch the market whilst it still needs them".

"Pertamina cannot raise the money, and government officials say Pertamina may reduce its stake in Natuna to 10 per cent. Whoever takes the 40 per cent will be expected to carry Pertamina's financing obligations," the executive added.

Companies which have shown an interest in taking a stake in Natuna include Nissho Iwai, Mitsui, Mitsubishi and Mobil, the executive said.

Negotiations between Pertamina and Esso include whether to build a new LNG processing plant on Natuna island, or to construct a pipeline and use existing facilities at Lhokseumawe, North Sumatra.

Indonesia is the world's largest producer of LNG with exports in 1990 valued at US$4bn. About 85 per cent of exports go to Japan, with other customers including Taiwan and South Korea.

● A gas field with reserves of about 4.5 trillion cu ft has been found by Asamera Oil Indonesia off the north coast of Sumatra, industry officials say.

The reserve figures are based upon preliminary geological test data received by the Indonesian authorities and further tests are planned. Asamera, a subsidiary of Gulf Canada Resources, has not officially announced the size of the find but has said "drilling indications are encouraging".

The find is close to the Arun field which currently feeds the six-train LNG facilities at Lhokseumawe.

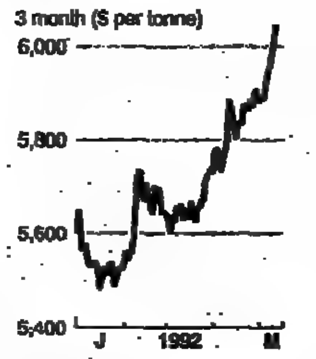
Asamera hold a 50 per cent stake in the "Block A" contract area where the field is located. The company recently assigned the remaining interest to Aceh Gas and Oil, a Japanese consortium led by Japex.

Under the deal, Aceh must fund the first USD70M of an on-going exploration and development programme. This includes the drilling of a further three exploratory wells later this year.

Tin price breaks $6,000 barrier

By Kenneth Gooding, Mining Correspondent

Tin



Source: Datastream

TIN'S PRICE surged to the highest level for 18 months and broke decisively through the $6,000 a tonne barrier on the London Metal Exchange yesterday in a delayed reaction to news last Friday that Brazil, the world's biggest producer, was to cut output in the hope that this would boost prices.

Analysts and traders suggested, however, that the price would meet substantial resistance at $6,200 a tonne. "This is not the start of a major bull market for tin, perhaps we will get that at the end of this year or next year," said Mr Robin Bhar, analyst at Carr Kitcatt & Aitken, part of the Banque Indosuez Group.

He suggested the ingredients for tin's rise from recent low levels of about $5,500 a tonne had been evident for some weeks. The market had been short of good brands from Brazil and Malaysia so "it looks as if the market can hold on to these gains". Mr Bhar pointed out that there was ample supply of low and medium-grade tin concentrates (an intermediate material) available but there was a shortage of high-quality concentrate which many smelters needed.

Tin for immediate delivery closed at $6,045 a tonne on the LME last night, up $67.50 from Friday's close. Three-month tin rose $60 to $6,042.50 a tonne.

Brazil's intentions were outlined by Mr Mauricio Pinto da Silva, mining division export manager of Paranapanema, the state-owned Brazilian tin group, biggest of its kind in the world. He told a Metal Bulletin conference in Phuket, Thailand: "We want to see lower production to help realise our aims of getting more remunerative but stable prices."

Paranapanema's chief executive, Mr Samuel Hanan, said that Brazil's tin production might fall to 25,000 tonnes in 1992 compared with 29,500 last year and its peak in 1989 of 50,200 tonnes.

The conference also heard that Bolivia's output would fall to between 13,000 and 15,000 tonnes a year from 16,700 in 1991 while Malaysian production was likely to slip below 20,000 tonnes from 20,710 last year. However, Portugal's output is set to rise from 8,500 to 10,000 tonnes.

Carr Kitcatt's Mr Bhar suggested yesterday that demand for tin – the metal is mainly used in tin plate, solder and chemicals – was probably stagnating at best and prices would depend on suppliers' willingness to continue output cuts. Demand for tin this year was likely to remain at the 1991 level of 180,000 tonnes while supply might fall by 5,000 to 10,000 tonnes to 155,000 to 160,000 tonnes.

He said prices would be held back by the large stockpile overhanging the market – down from about 44,000 tonnes to 38,000 tonnes since the begining of this year – and the fact that the US authorities would sell 12,000 tonnes from their stocks this fiscal year.

● The zinc market was more or less in balance in the first quarter of 1992 but there was a substantial surplus of lead, according to the International Lead and Zinc Study Group.

It said refined lead production was 1.4 per cent up on the same months of 1991 at 1.121m tonnes while consumption rose by only 0.6 per cent to 1.097m tonnes. Refined zinc production was up 4.4 per cent to 1.357m tonnes and consumption rose 2.9 per cent to 1.358m tonnes.

Milking profits in the Mediterranean sunshine

Dairy producers are cashing in on many natural and political advantages in Italy's Po valley

FARMER'S VIEWPOINT

By David Richardson

SHE WAS one of the biggest dairy cows I have ever seen. From her tail to her shoulders she stood over five feet tall, and the top of her great head was level with mine. For the record, I am over six feet.

Last week she was not being milked. Indeed, her udder was dry because she was heavily pregnant with her fifth calf. In her fourth lactation she gave 13,600 litres of milk. Her name was Del Santo Fulvia, and she was one of the best cows in an outstanding herd of Holstein Friesians on a dairy farm a few kilometres south of Milan.

The top yielder in the herd, I was told, had given 16,000 litres in a one-year lactation, and the herd average was 9,600 litres. Moreover, most of the dairy herds in this part of the Po Valley are averaging more than 8,000 litres per lactation. To put those figures into perspective, the average yield of British dairy herds is between 5,500 and 6,000 litres, and those of Holland around 7,000 litres. Furthermore, the average yield of all the dairy herds in Italy is down at about the same level as the UK.

So, why is the Po Valley so special, and how is it that this area alone is responsible for 70 per cent of Italy's milk production?

The answer is a combination of factors, chief among which are the breeding and genetics of the cows, the way they are managed and the diets they are fed. For the origins of the present Po Valley dairy herd owe as much to North America as to Europe.

When the qualities of the black-and-white cows that had been developed over generations in the north Holland province of Friesland were recognised by the farmers of other countries at the turn of the century, they began to be exported all over the world. In Europe, most breeders continued to favour the traditional Dutch type of cow, which gave a good milk yield but whose surplus male calves, not needed for breeding, were also suitable for beef. The Dutch Friesian was the ultimate dual-purpose animal.

In America and Canada, however, farmers selected animals for milk yield alone, and, although the black-and-white colour remained, the conformation and size of the North American Holstein Friesian gradually became very different from that of its Dutch ancestors. So, too, did its ability to produce large quantities of milk.

Meanwhile, most British dairy farmers continued with their meatier dual-purpose animals. But in the Po Valley, uniquely in Europe, dairy farmers decided to follow the American pattern and in 1929 imported the first Holstein Friesian bull to come back across the Atlantic. The result is the present high milking-capacity of their cows, which, incidentally, are little use for beef. Indeed, Italy now imports many of its beef animals, as calves, from France. Nevertheless, in the pursuit of yield and profit other European farmers are now attempting to follow the US and the Po Valley farmers' example.

How successful they will be is open to conjecture. For another of the factors that has enabled these northern Italian dairy farmers to achieve such production is the fact that, like Californian dairymen, they do not allow their cows to graze. Instead, in order to ensure that the animals receive the optimum diet for maximum milk-production every day of the year, they are kept in open concrete yards and have their specially formulated feed delivered to them.

Every effort is made to make the cows as comfortable as possible and, during the hot summer months, massive electric fans blow across the feeding areas to cool their backs as they feed.

To achieve maximum yields, it is necessary for the cows to eat as much of the milk-making fodder as possible. Anything that might inhibit this high intake has to be avoided – hence, the crude air-conditioning. But whether such conditions could economically be reproduced in northern Europe's harsher climates remains to be seen.

Similarly, the basic vegetable diet the cows receive requires a warmer climate in which to grow than that which we normally get in countries like Britain. It is based on maize and Lucerne, or, as the Americans call them, corn and alfalfa. For this, too, is copied from North America. Both fodder crops need hot summers and plenty of irrigation in order to produce the most economic yields and the best quality for the promotion of milk-production.

But the Po Valley is ideally situated. The Mediterranean sun shines reliably most of the summer and melting Alpine snow fills a series of enormous lakes that overflow down a network of rivers and converge to make the mighty Po. The whole valley, which is 600 km (370 miles) long and 200 km wide at the river's mouth, centred on the eastern Italian port of Ravenna, is composed of rich, deep, fertile, alluvial soil. Italians have been building irrigation canals across it for 1,000 years and today the comprehensive network allows almost every farmer in the valley to flood-irrigate his crops.

In addition to all these natural advantages, however, Italian dairy farmers also appear to have some political ones. For, although milk quotas to reduce production and surpluses were introduced in the European Community eight years ago, they have still not been applied in Italy.

Questioned as to why this is so, farmers complain that the government is corrupt and that the whole situation is chaotic. They then go on to say that the original milk quota allocated to Italy represented only 38 per cent of domestic need and that consumption has risen since then.

They feel, therefore, that they are justified in producing at least 10 per cent more than their national quota allows, and see no inconsistency in the fact that the quota system was intended to deal with over-production in the EC as a whole.

In any event, eight years on, the milk quota system remains to be imposed in Italy, and, in the meantime, farmers are happily maximising their production and paying no super-levy – the punitive fine imposed on farmers in other countries of the EC if they exceed the permitted amount. And they are doing it, apparently, without too much hassle from Brussels.

It made me wonder if a touch of Italian-style chaos in regulation-ridden Britain would not be preferable to our national compulsion to obey rules. If the experience of the farmers in the Po Valley is any guide, it would certainly be more profitable.

Orissa to move up Indian sugar league

By Kunal Bose in Calcutta

THE SETTING up of a modern sugar factory at the Kalahandi district of Orissa by Western India Sugar and Chemical Industries will mark the beginning of the development of the eastern Indian state as an important producer of sugar.

Orissa's sugar production has so far has remained insignificant in spite of its having large tracts of well drained land with good humus and high phosphate and potassium levels. It has only about 50,000 hectares under sugar-cane and produces just 20,000 tonnes of sugar a year out of India's 12m-tonne total.

According to soil scientists, however, Kalahandi and some other parts of Orissa could grow sugar-cane of the quality found in Maharashtra, the country's largest sugar producing state. Encouraged by this prospect, a number of established sugar producers from the west and the south have taken over the few existing factories in Orissa for modernisation and expansion or acquired licences to set up new units.

The Western India sugar plant, with a capacity to crush 2,500 tonnes of cane a day, will start commercial production in October 1993, coinciding with the beginning of the sugar season, according to Mr B.B. Nagpal. The crushing capacity of the unit will be raised to 5,000 tonnes a day in two phases by 1995. The company will use the by-product molasses to produce industrial alcohol and downstream chemicals.

Promotion of sugar-cane cultivation and creation of sugar manufacturing capacity in non-traditional areas are called for if India is to remain a regular sugar exporter. According to an official report domestic consumption of sugar by 1994-95 will be 13.27m tonnes, when production is expected to be 13.41m tonnes. New capacity has to be created if significant export levels are to be maintained.

EC shows it is ready to compete for grain exports

THE EUROPEAN Community has shown that it will be ready to compete with the US and other leading grain exporters when the 1992-93 season starts in July, European traders said yesterday, reports Reuter.

Last week the EC's cereals management committee announced that it would open tenders on June 3 to export 3.1m tonnes of grain out of intervention stores in July and August.

"We like to make an early start to the export season," an EC grain official in Brussels said. The sales from intervention will help to ensure the flow of shipments until EC new crop supplies arrive.

The EC usually harvests its wheat crop in August, whereas the US starts to export in June.

"Brussels has shown it is ready to snap up any early export business," a German grain manager said.

Germany, which holds nearly half of EC grain intervention stocks, was allocated 1.4m tonnes of wheat, barley and rye at last week's tenders.

"The tenders bridge the gap between the old and new crops," a UK agriculture official said, adding they were customary.

They will also help to trim record EC intervention stocks and clear storage space for new crop grain. EC intervention stocks are expected to total some 28m tonnes at the end of June, up from 18.7m a year earlier. The surplus has been swelled by delays in shipments to the Commonwealth of Independent States and by a huge 1991 crop of just over 180.5m tonnes, including the former East Germany, up from 169.7m in 1990.

Stocks rose despite increased intervention exports accounting for about a third of total exports, their highest ever share, traders said.

Last week's intervention tenders are only a guideline. "The market is sensitive to such signals so the volumes were a compromise," the EC official said, adding they could later be raised according to demand. Bigger volumes could have depressed the new crop market.

The price outlook is mildly bearish because of a lack of buyers and the prospect of a recovery in the world wheat crop, traders said, adding that dry weather could quickly change the scenario.

WORLD COMMODITIES PRICES

MARKET REPORT

London's robusta COFFEE managed to hold the gains established by midday, rising by $26 in near July to close at its high of $701 a tonne. Dealers said the market had become heavily oversold during the recent fall to the lowest levels for around 22 years, so the upward correction was not unexpected. New York arabicas were also ahead at midday. Dealers were keeping one eye on a meeting in Brazil between the government and the private sector. Last week, the Brazilian Federation of Coffee Exporters said it would seek emergency measures to boost prices, and would also propose co-ordinating with other coffee nations. Costa Rica confirmed that it was considering taking some form of measures as a gesture of protest. "All this may lift the market for a few weeks, but the oversupply is still going to be there," one London dealer said. London COCOA prices closed mixed after trading in a £10 range. "There's really nothing you can say about today, other than there was less origin selling," one dealer said. The possibility of further sales later this week, however, was dampening any possibility of a rally.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.25-7.30q	+0.10
Brent Blend (dated)	$19.70-9.80	+0.10
Brent Blend (Jun)	$19.70-9.80	+0.125
W.T.I (1 pm est)	$20.90-0.95q	+0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$226-230	
Gas Oil	$182-183	+2
Heavy Fuel Oil	$77-79	+3
Naphtha	$180-182	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$336.30	+0.4
Silver (per troy oz)♣	412c	
Platinum (per troy oz)	$354.35	+1.1
Palladium (per troy oz)	$82.85	+0.6
Copper (US Producer)	104.63c	-0.04
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.51r	+0.17
Tin (New York)	278.5c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.43p	-0.73*
Sheep (live weight)†♣	94.28p	-5.45*
Pigs (live weight)†	100.09p	-0.30*
London daily sugar (raw)	$244.5t	-0.7
London daily sugar (white)	$262.4t	-0.6
Tate and Lyle export price	£245.0	+0.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£147.5	-0.5
Wheat (US Dark Northern)	£120w	
Rubber (Jun)♥	53.75p	-1.25
Rubber (Jul)♥	53.75p	-1.5
Rubber (KL RSS No 1 Jun)	219.5r	+0.5
Coconut oil (Philippines)§	$640.0t	
Palm Oil (Malaysian)§	$377.5q	
Copra (Philippines)§	$415	+5
Soyabeans (US)	£150.0q	+0.5
Cotton "A" index	59.80c	-0.4
Wooltops (64s Super)	430p	-4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-May/Jun y-Apr/May w-Apr 2-May. q-Jun †Meat Commission average fatstockprices. * change from a week ago. ♥London physical §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)				
Raw	Close	Previous	High/Low	
Aug	215.20	215.00	213.00	211.00
Oct	204.80	202.00	202.00	
Dec	194.00	194.00	191.00	
White	Close	Previous	High/Low	
Aug	278.00	278.00	279.00	276.50
Oct	269.50	270.00	269.50	268.00

Turnover: Raw 105 (54) lots of 50 tonnes. White 498 (248)
Paris- White (FFr per tonne): Aug 1555.83 Oct 1512.83

CRUDE OIL – IPE ($/barrel)	Close	Previous	High/Low	
Jun	19.89	19.70	19.90	19.68
Jul	19.73	19.55	19.74	19.53
Aug	19.65	19.46	19.65	19.45
Oct	19.56	19.35	19.55	
Feb	19.40	19.35	19.19	19.18
IPE Index	19.59	19.57	19.59	

Turnover 21501 (21280)

GAS OIL – IPE ($/tonne)	Close	Previous	High/Low	
May	180.00	178.50	180.75	179.50
Jun	179.75	178.25	180.25	179.25
Jul	179.75	179.00	181.00	179.75
Aug	181.75	181.00	182.25	181.25
Sep	183.50	182.75	184.25	182.75
Oct	185.50	184.50	185.75	184.75
Nov	186.75	185.50	186.75	186.75
Dec	187.50	186.50		
Jan	185.75	184.75		

Turnover 15019 (11690)lots of 100 tonnes

TEA

There was strong but more selective demand this week, reports the Tea Brokers' Association. The brightest liquoring East African teas showed little change in price but good mediums met increased support and were generally 4 to 6p dearer. Plainer mediums proved irregular but about steady. Central Africans sold well at dearer rates. Offshore there was very good demand with better Kenyas sometimes appreciably dearer and Central Africans showing advances of 3 to 5p. The highest price realised this week was 172p for a rwanda pf.1

COCOA – London FOX (£/tonne)	Close	Previous	High/Low	
May	540	536	542	534
Jul	564	565	566	559
Sep	588	591	592	585
Dec	622	623	626	617
Mar	652	654	656	649
May	673	676	680	670
Jul	693	696	691	
Sep	712	715	710	
Dec	738	745	741	736
Mar	766		764	765

Turnover: 4947 (6173) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 8 715.26 (720.30) 10 day average for May 11 738.94 (744.96)

COFFEE – London FOX ($/tonne)	Close	Previous	High/Low	
May	680	656	679	658
Jul	701	678	701	680
Sep	724	700	724	702
Nov	744	724	742	726
Jan	762	745	760	756
Mar	778	762	779	775

Turnover:1820 (2881) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 8: Comp. daily 47.02 (47.24) 15 day average 49.89 (50.23)

POTATOES – London FOX (£/tonne)	Close	Previous	High/Low	
Apr	109.0	110.8	109.5	108.1

Turnover 176 (88) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)	Close	Previous	High/Low
Apr	-	125.00	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)	Close	Previous	High/Low	
Jun	1248	1253	1259	1245
Jul	1135	1180	1167	1180
Oct	1250	1268	1250	1250
BFI	1267	1255	1267	

Turnover 66 (322)

GRAINS – London FOX (£/tonne)				
Wheat	Close	Previous	High/Low	
May	125.30	125.60	125.70	125.30
Jun	126.40	126.85	126.60	126.40
Sep	111.30	111.95	111.45	111.30
Nov	114.55	114.60	114.60	114.50
May	124.15		124.20	124.15
Barley	Close	Previous	High/Low	
May	118.75	118.65	118.75	

Turnover: Wheat 109 (112), Barley 3 (100).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg	Close	Previous	High/Low	
May	125.0	125.0	125.8	125.0
Jul	112.0	110.5	111.9	110.0
Aug	105.0	106.0	105.0	104.8
Sep	105.5	106.0	105.3	104.5
Oct	106.0	-	105.8	105.5
Nov	108.0	107.0	108.8	105.6

Turnover:51 (45) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 33,618 lots
Cash	1299-0	1296-8	1304/1304	1303.5-4		
3 months	1325.5-4	1322-2.5	1326/1322	1327.5-8	1329-.5	168,096 lots
Copper, Grade A (£ per tonne)						Total daily turnover 14,295 lots
Cash	1235-6	1240-0.5	1230/1236.5	1236-7		
3 months	1264-5	1267-8	1266.5/1264	1265.5-6	1263-4	105,268 lots
Lead (£ per tonne)						Total daily turnover 4,269 lots
Cash	289.5-3.5	288.5-4.5	293.5/293.5	293.5-.75		
3 months	305-5.5	306-6.5	306/304	305.5-6.5	305.5-6	16,918 lots
Nickel ($ per tonne)						Total daily turnover 5,279 lots
Cash	7275-85	7300-5	7280/7290	7290-2		
3 months	7365-70	7385-90	7380/7350	7375-80	7380-5	25,228 lots
Tin ($ per tonne)						Total daily turnover 2,062 lots
Cash	6040-50	5975-80	6050/6050	6050-5		
3 months	6040-5	5980-5	6070/6005	6046-8	6045-50	7,123 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 24,639 lots
Cash	1321-3	1347-52	1350/1328	1332-3		
3 months	1281-5	1287-8	1258/1255	1257-8	1260/1	89,086 lots

LME Closing £/$ rate:
SPOT: 1.7935 | 3 months: 1.7980 | 6 months: 1.7407 | 9 months: 1.7304

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	336.10-336.50	
Opening	336.30-336.70	
Morning fix	336.50	187.810
Afternoon fix	336.15	187.678
Day's high	336.90-337.20	
Day's low	335.90-336.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	3.85	6 months	3.06
2 months	3.89	12 months	3.29
3 months	3.56		

Silver fix	p/fine oz	US cts equiv
Spot	229.30	412.00
3 months	235.05	414.95
6 months	240.85	419.30
12 months	251.70	428.80

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	336.00-337.00	187.50-188.00
Maple leaf	347.00-348.00	193.75-194.25
New Sovereign	81.00-82.00	45.25-46.25

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1250	76	98	6	19
1300	41	67	25	38
1350	19	42	52	60
Copper (Grade A)	Calls		Puts	
2100	133	140	3	8
2200	60	58	17	35
2300	9	26	75	89
Coffee	Jul	Sep	Jul	Sep
600	64	83	3	9
650	20	49	19	25
700	5	27	54	53
Cocoa	Jul	Sep	Jul	Sep
575	13	36	24	22
600	6	34	42	38
625	5	19	64	63
Brent Crude	Jun	Jul	Jun	Jul
1900			1	
1950	23	49	3	
2000	3	24	30	

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
May	336.7	336.0	0	0
Jun	337.0	336.1	337.8	336.6
Jul	337.9	337.2	0	0
Aug	338.5	337.9	339.3	338.3
Oct	340.3	339.6	340.2	340.0
Dec	342.3	341.6	343.0	342.0
Feb	344.5	343.6	0	0
Apr	346.7	346.0	0	0
Jun	349.1	348.4	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
May	352.1	350.0	0	0
Jul	354.1	352.0	355.0	353.5
Oct	356.0	355.9	358.5	357.5
Jan	358.0	355.9	358.0	358.0
Apr	358.5	357.4	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
May	408.2	407.7	411.0	409.0
Jun	410.1	408.6	410.0	410.0
Jul	411.3	409.6	413.5	410.0
Sep	414.3	412.8	416.0	414.0
Dec	419.0	417.5	422.0	418.0
Jan	420.6	419.1	0	0
Mar	424.3	422.8	0	0
May	428.2	426.6	0	0
Jul	432.1	430.5	435.0	432.0
Sep	436.6	435.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
May	101.60	100.75	101.10	100.70
Jun	101.15	101.00	101.30	100.80
Jul	101.40	101.25	101.50	101.05
Aug	101.50	101.40	0	0
Sep	101.65	101.45	101.35	101.30
Oct	101.60	101.50	0	0
Nov	101.60	101.60	0	0
Dec	101.65	101.55	101.55	101.55
Jan	101.45	101.35	0	0
Feb	101.25	101.20	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	9.88	9.67	9.89	9.50
Oct	9.17	9.10	9.17	9.04
Mar	8.98	8.96	8.98	8.90
May	8.94	8.92	8.94	8.88
Jul	8.90	8.94	0	0
Oct	8.96	8.84	8.97	8.90

CRUDE OIL (Light) 42,000 US galls $/barrel	Close	Previous	High/Low	
Jun	21.00	20.86	21.01	20.80
Jul	21.12	20.93	21.13	20.89
Aug	21.13	20.94	21.14	20.92
Sep	21.07	20.89	21.08	20.87
Oct	20.99	20.81	20.96	20.80
Nov	20.91	20.74	20.88	20.73
Dec	20.86	20.69	20.84	20.67
Jan	20.78	20.62	20.72	20.60
Feb	20.71	20.55	0	0
Mar	20.64	20.49	0	0

HEATING OIL 42,000 US galls, cents/US galls	Close	Previous	High/Low	
Jun	5832	5767	5850	5760
Jul	5794	5726	5810	5725
Aug	5845	5780	5855	5780
Sep	5935	5870	5935	5880
Oct	6025	5960	6035	5975
Nov	6115	6050	6130	6075
Dec	6195	6130	6225	6140
Jan	6215	6145	6255	6190
Feb	6110	6040	6140	6075
Mar	5890	5820	5920	5850

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
May	875	874	880	860
Jul	910	909	915	899
Sep	953	950	956	949
Dec	1002	1004	1004	989
Mar	1043	1045	1048	1033
May	1070	1072	1060	1060
Jul	1101	1105	0	0
Sep	1128	1130	1120	1119
Dec	1166	1170	1162	1162

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
May	60.75	60.00	61.10	60.40
Jul	61.90	60.80	62.15	61.20
Sep	64.10	63.00	64.35	63.50
Dec	67.50	66.35	67.75	66.95
Mar	70.95	69.90	70.95	70.40
May	75.40	73.75	75.00	75.00
Jul	77.75	77.15	77.65	77.50
Sep	79.15	79.15	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Jul	59.65	58.22	59.84	58.85
Oct	60.62	60.47	60.90	60.47
Dec	61.27	61.22	61.70	61.16
Mar	62.45	62.46	62.75	62.45
May	62.92	62.95	63.09	63.09
Jul	63.35	63.25	0	0
Oct	62.85	62.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
May	138.80	138.75	138.90	138.00
Jul	128.15	129.25	129.25	128.10
Sep	121.60	122.05	122.00	121.10
Nov	114.30	114.75	115.00	114.00
Jan	114.05	114.00	114.45	113.80
Mar	113.85	114.00	114.05	114.00
May	113.60	113.50	0	0
Jul	113.60	113.60	0	0
Sep	113.60	113.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
May 11	May 8	mnth ago	yr ago
1615.2	1582.6	1633.0	1723.5

DOW JONES (Base: Dec. 31 1974 = 100)	May 8	May 7	mnth ago	yr ago
Spot	117.67	116.76	-	128.40
Futures	118.87	118.59	-	126.60

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
May	589/4	588/4	590/6	586/6
Jul	593/6	594/2	596/4	590/0
Aug	597/6	597/6	600/2	593/4
Sep	602/0	602/2	605/0	598/4
Nov	609/0	609/4	612/4	605/0
Jan	617/6	618/4	621/0	614/0
Mar	627/0	627/0	630/0	623/0
May	633/4	633/4	635/0	630/4
Jul	639/0	636/0	641/0	638/0
Nov	614/0	613/0	616/0	614/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
May	20.31	20.20	20.39	20.06
Jul	20.54	20.42	20.65	20.31
Aug	20.70	20.59	20.79	20.48
Sep	20.93	20.82	21.02	20.80
Oct	21.08	20.97	21.15	20.95
Dec	21.38	21.29	21.46	21.22
Jan	21.50	21.40	21.55	21.48
Mar	21.75	21.67	21.82	21.75
May	22.00	21.90	22.00	22.00

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
May	177.9	178.2	179.1	177.1
Jul	179.0	179.8	180.2	178.6
Aug	179.3	179.6	180.3	179.1
Sep	179.4	180.4	180.8	179.3
Oct	197.3	198.2	198.5	197.3
Dec	198.0	198.5	198.8	197.5
Jan	198.5	198.2	199.3	198.5
Mar	199.0	198.5	200.5	199.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
May	252/6	255/2	254/0	251/6
Jul	258/0	261/2	259/6	257/4
Sep	257/4	260/0	259/0	256/4
Dec	257/0	259/4	258/4	255/4
Mar	265/0	267/2	266/0	263/2
May	269/0	271/2	270/0	268/0
Jul	273/0	275/0	273/4	272/0

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
May	377/4	381/0	380/0	377/2
Jul	365/6	369/6	369/0	365/0
Sep	369/4	374/6	373/0	369/0
Dec	377/2	381/0	380/0	376/6
Mar	376/2	380/0	378/0	376/0
May	366/0	366/0	369/0	366/0
Jul	347/0	349/0	348/0	346/0
Sep	354/4	356/6	0	0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Jun	74.150	74.700	74.900	74.000
Aug	71.175	71.775	71.875	70.850
Oct	70.525	70.875	70.850	70.200
Dec	70.025	70.275	70.300	69.700
Feb	69.450	69.625	69.750	69.325
Apr	70.425	70.600	70.750	70.425
Jun	68.300	68.500	68.600	68.300

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Jun	48.100	48.950	48.775	48.050
Jul	46.100	46.525	46.350	46.050
Aug	43.975	44.425	44.350	43.950
Oct	40.300	40.650	40.650	40.250
Dec	42.625	43.075	43.050	42.600
Feb	43.750	44.225	44.200	43.700
Apr	42.800	42.950	42.750	42.550
Jun	47.075	47.150	47.200	47.075

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
May	36.925	38.300	38.350	36.450
Jul	36.275	37.875	38.000	36.100
Aug	34.225	35.700	35.850	34.200
Feb	43.975	44.750	45.200	43.950
Mar	43.000	43.800	44.300	43.000

BUSINESS IN THE COMMUNITY

Tuesday May 12 1992

Over the past 10 years many large UK companies and their employees have entered into a wide range of activities in partnership with their local communities. The aim now is to encourage many more smaller businesses to begin to participate, writes *Richard Evans*

Partnerships that work

AROUND 100 senior business leaders meet in Birmingham and Newcastle today to hear how they and their companies can get involved in helping the community and at the same time help themselves.

The meetings are part of a campaign organised by Business in the Community to extend and deepen the participation of companies in a range of local activities and to ensure that community involvement becomes a natural part of successful business practice.

They coincide with the 10th anniversary of BITC, an umbrella organisation which helps create partnerships between business, government and local communities to improve the economic, physical and social environment.

The organisation is at something of a crossroads, and is seeking to develop a blueprint for expanding community involvement to virtually every company in the country, not out of a sense of charity but out of enlightened self-interest.

Mr Neil Shaw, chairman of Tate & Lyle and the current chairman of BITC, says: "We need to move to Stage Two of our existence by significantly enlarging our army of volunteers...by doing so we develop better people and as a result better companies."

Today's conferences, spearheaded in Birmingham by Mr Robert Evans, chairman of British Gas, and in Newcastle by Mr Iain Vallance, chairman of BT, are part of a series of six across the country which follow an assessment of BITC strategy last year called Directions for the Nineties.

Since the organisation was set up a decade ago, around 500 companies have joined and several thousand have entered into local partnerships. The question now is how these activities can best be expanded and developed by involving more companies and more employees, and by linking community help with other business functions.

Corporate community involvement in the UK can trace its roots back to the Victorian era when industrialists such as Cadbury, Rowntree and Boot provided free education for employees. Social "investments" were viewed as essential to commercial success, and they remain an essential ingredient of family-led businesses such as Marks & Spencer and J. Sainsbury.

However, under the Labour post-war administration, the central government took more responsibility for social welfare, and corporate patronage declined. It re-emerged in the late 1970s and early 1980s with the decline of traditional manufacturing industries and increasing levels of social alienation, particularly among the young and ethnic minorities.

Enlightened businesses began taking direct corporate action to rebuild the health and vitality of local communities, and companies such as IBM (UK), BP, Shell, British Steel, Barclays and Midland banks all developed community involvement policies.

An Anglo-American conference at Sunningdale in 1980 led to the establishment of a working party chaired by Sir Alastair Pilkington, chosen because of the glassmakers' pioneering work with the St Helens enterprise agency, and this committee laid the foundations for the launch of BITC in 1982. The profile of the organisation was raised greatly in 1985 when the Prince of Wales became president.

It was also the riots of 1981 in Brixton, south London and Toxteth, Liverpool that gave the movement a big fillip. Mr Michael Heseltine, then environment secretary, dragooned a group of senior businessmen on to buses to show the devastation of Toxteth, and this proved to be the catalyst for much wider action.

From its launch BITC supported the local enterprise agency movement as a job creation vehicle for redundant employees and unemployed school leavers, and the development of employment opportunities has remained an important priority.

The private sector's work with LEAs and other community initiatives has drawn thousands of large, medium and small companies into community involvement. It has also developed the practice of partnership between the private sector, local authorities, voluntary organisations and central government, and paved the way for the establishment of Training and Enterprise Councils (Tecs).

BITC, acting as an umbrella organisation and a disseminator of best practice, has evolved into a national organisation with 11 regional offices.

Target teams focus on national issues, business leadership teams implement programmes locally, and neighbourhood economic development partnerships address urban regeneration problems at local level.

The Per Cent Club, administered by BITC, is a group of companies which have agreed to contribute a ½ per cent or more of pre-tax profits, or 1 per cent of dividends, to community based projects. Contributions take the form of cash, staff secondments, or donations in kind such as equipment, premises, time or expertise. More than 500 organisations are now members of the clubs.

A Professional Firms Group pledges professional services free of charge to community projects, including engineering, legal, accountancy, quantity surveying and architectural services.

In the early years, help from business was concentrated on straight charitable giving and sponsorship of the arts and sport. These are still important but they now form a much smaller part of the total.

The issues facing the movement have become much more focused since Directions for the Nineties was published after a lengthy consultation exercise. They are the need to widen the range of support given by business to the community, the need to include more employees in community involvement, and the need to integrate community work fully into every aspect of corporate life.

Mr Shaw, like other BITC leaders, stresses that a company's involvement in the community must not be seen as just a charitable act, but as a "two-way street" that benefits the company as much as the community by generating a more prosperous local economy.

He also emphasises the benefits to the individual of community work. "I would pay more attention to a successful involvement in a local project than I would to success at business school," he says.

Sir Allen Shepherd, chairman and group chief executive of Grand Metropolitan and a deputy chairman of BITC, says: "Corporate responsibility is not a fringe activity. It is becoming an integral part of doing business."

The GrandMet Trust has become the largest private agency in the country for providing government-sponsored training and counselling programmes for the unemployed. On any given day, 5,000 people will be attending a course, and 80 per cent of those completing one go on to find full-time employment.

The secondment of employees, favoured particularly by companies such as Marks & Spencer which donates £5.5m a year to community work, IBM, banks and the big accountancy firms, has always been an effective link with local communities.

The enterprise agency or local organisation gains from the secondee's expertise and fresh approach to problems, and the company sees key employees increase the range of their experience.

Kingfisher, which owns B & Q, Comet and Woolworths, was a founder member of the Opportunity 2000 campaign aimed at increasing the quality and quantity of women's participation in the workforce, and the company has sponsored a guide to corporate responsibility.

W.H. Smith is one of many companies that has encouraged employee participation by matching pound for pound any sums raised. One recent exercise has been to update the Samaritans' overloaded crisis phone lines.

Mr Sam Whitbread, chairman of Whitbread the brewers and chairman of BITC's target team on employee volunteering, believes this area is the key to a company benefiting from community activities. "It can be used as a vehicle for team building and staff development, it fosters positive communication with otherwise disparate departments and generates a caring, service-driven culture which can only lead to a commercial advantage," he says.

The recession of the last 18 months has clearly had an impact on the community involvement of some businesses. Redundancies and closures do not sit happily alongside well publicised community projects. But the effect has not been as great as might have been expected.

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IN THIS SURVEY

BUSINESS IN THE COMMUNITY 2

Chris Tighe reports on pump priming in North East England and the Midlands

Challenge of the hard core areas

THE MURDER of a hostel dweller *drinking in a pub in a rough* area of Newcastle upon Tyne is not the sort of incident in which one would expect leading businessmen to take a personal interest.

But when a man was stabbed to death last month at The Chieftain, in Newcastle's Cruddas Park area, Barclays bank north east England regional director Mr John Ward immediately thought "Oh no, not my patch".

It was not that Cruddas Park teems with Barclays customers; indeed, it is doubtful whether many of its residents have a cheque book, far less savings or investments.

Mr Ward's response was because this deprived inner city area of high rise *flats and post-war terraces*, centred on a bleak concrete shopping centre of which The Chieftain is part, has been the focus of one of the most ambitious projects undertaken by any of the Business Leadership Teams fostered by Business in the Community.

Nobody, even before the murder, was claiming Cruddas Park had been totally transformed since it was identified in late 1988 by The Newcastle Initiative, the city's Business Leadership Team, as a testbed for how TNI's skills, contacts and resources could be focused on regenerating an area brought low by high unemployment and social problems.

The stabbing served as a reminder that a web of social and economic difficulties woven over decades cannot be unravelled by a couple of years of private sector intervention.

But TNI's experiment, in which it has been supported by central government departments, *Labour-controlled* Newcastle City Council and some local residents, has made Cruddas Park a less threatening place to live in and, through tackling residents' employment problems - and some employers' prejudice - transformed some people's lives.

It has also wrought a small transformation by making prominent Tyneside businesspeople feel that what happens in Cruddas Park *affects them; for years* such areas have been almost totally bypassed by the affluent, none of whom would dream of living there.

TNI was one of the first Business Leadership Teams set up in the wake of the Calderdale Partnership, created in 1987 by Business in the Community to bring together local business leaders to tackle their area's problems.

Today, there are 16 BLTs in the UK as well a number of other more tightly-focused bodies, not formally constituted but working on similar lines.

The BLTs' resolute individualism in the way they interpret their role is reflected even in their patchwork *quilt of names, from the Bradford* Breakthrough to West London Leadership, Teesside Tomorrow and the Wearside Opportunity.

But they share a common philosophy: the belief that companies' commercial success depends largely on the economic health of their local communities and, therefore, that those companies which improve their community's economic health enhance their own businesses too.

The BLTs are also united in being led by the private sector, *in recruiting* the businesspeople on their boards only from the most senior level and in being dedicated to tackling, in their particular area, what they perceive as the key problems.

Another uniting factor, which can be both a strength and a weakness, is that BLTs do not have any function they are legally obliged to fulfil, nor any automatic funding.

At its best this means they can use the often considerable influence of their prominent members to promote the wellbeing of their area and also bring fresh thinking to seemingly intractable problems.

"They act but they are not constrained," says Mr Paul Johnson,

Decades of social deprivation cannot unravel in a couple of years

BIC's regional director in north east England. "They have a very powerful lobbying impact."

At a time when very many companies are both short of spare money and constantly under pressure to donate funds to myriad worthy causes, BLTs can provide an appealingly flexible "value added" route to community involvement enabling companies to offer access to their services or their skilled staff rather than cash.

Furthermore, BLTs can create a meeting point, for the good of the local community, for busy business leaders who would otherwise not know each other nor realise they had common cause.

At the worst, however, BLTs' non-official status means they can be accused of seeking credit for investments and successes for which other organisations also claim kudos.

Ashley Ashwood

Statue of Newcastle United's Jackie Milburn outside a shopping precinct: no shortage of local pride

It can also lead BLTs into a political quagmire where they find themselves caught between those councillors and officers who welcome their input and those who resent it; a major heritage project championed by one BLT bit the dust when blocked, late in the day, by the "antis".

"I think their attitude is: why should these businessmen meddle in something which is the council's job," says a successful businessman on the board of the BLT involved. *"You have to understand the mentality* – it's a hostile attitude to the nasty capitalists."

However, the same BLT has found support from the same council for smaller projects and strong encouragement from some other local authorities. The successful businessman, although irked that valuable time was wasted, is still enthusiastic about his BLT involvement.

To operate effectively BLTs need constant injections of new blood; hence BIC's decision to hold a series of regional conferences on its Directions in the Nineties campaign.

The first two, in Gateshead and Birmingham, take place today, addressed, respectively, by British Telecom chairman Mr Iain Vallance and Mr Robert Evans, chairman and chief executive of British Gas.

The conferences are the first mounted by BIC specifically to get more companies involved in their communities. In areas such as north east England, with few locally headquartered plcs and a burgeoning number of BLTs (three are well established and three more in formation) the need is acute. Both the Newcastle Initiative and Wearside Opportunity currently have chief executives seconded from the DTI, not the private sector.

Regional BIC director Mr Johnson says that, with honourable exceptions, the manufacturing sector has proved especially difficult to win over to BIC's philosophy of enlightened self interest through community involvement. "There's been a tradition of 'head down and make the widgets'", he says.

Casting its net, TNI has just hosted a highly successful environmental breakfast, attracting 200 businesspeople. They were all given a free factpack on the environment, including new legislation, then asked to pledge something in return. The response has been very encouraging.

TNI's priority has been to enhance Newcastle's regional capital role through urban regeneration, ranging from Cruddas Park to the city's architecturally superb Grey Street and its Chinatown restaurant area.

The Wearside Opportunity's primary objective is to promote Wearside as The Advanced Manufacturing Centre of the north: it has coined the *Make It Wearside* slogan emblazoned on commercial vehicles all over the area and used in national advertising.

Teesside Tomorrow has mainly concentrated on smaller projects across a wide range of sectors, including areas not covered by other organisations.

One of Teesside Tomorrow's board members is Mr Alistair Arkley, chief executive of locally based Century Inns, a fast-expanding chain of nearly 300 pubs. He voices what is probably a typical mixture of motives for becoming involved.

Partly, he says, it was a philanthropic desire to improve the environment and culture of the area where he is based; also a personal wish to get to know other business leaders and discuss mutual problems. He was also aware of the potential direct benefits to his business.

"We're reliant on the people of the community to drink in our pubs to ensure a prosperous future for the business in the markets where we're strong," he says. "If there's better employment, a better environment, that will help my business."

In Birmingham, where many smaller companies identify more readily with their immediate area than the city as a whole, BIC has opted for setting up smaller BLT-type bodies. One example is the Newtown business group, comprising 12 companies, led by industrial tool sales, hire and repair company W.H. Price Ltd, which employs 150 people.

The companies are in an inner city location suffering the familiar problems of litter, graffiti, unemployment, lack of parking space and poor redevelopment which has created bleak open spaces.

Mr Tim Lunt, chairman of W.H. Price, says the business group *has* brought his company into contact for the first time with nearby businesses with similar problems. "It's really been a chance for us to get together. And we've had a chance to talk to the residents of the area. They have very different problems to us, who commute into this area."

The Newtown group, like a number of BLTs, has been involved in its local authority's submission of a City Challenge bid for Department of the Environment funds to improve the area.

Some of those who become involved in BLTs do so after participating in programmes run by Common Purpose, set up in 1989 by *Julia Middleton, formerly of the* Industrial Society. Common Purpose aims to expose the next generation of decision-makers, in the private, voluntary and public sector, to the different aspects of their city, to create better understanding and more effective networks.

It pitches its recruitment – each year a group of around 30 gets together for 11 programme days – a couple of pegs down from BLT board member level. "We're dealing with the people who in five years time are going to be at the top," says Jenny Talbot, its Midlands director.

Launched in 1989 in Newcastle and Coventry, Common Purpose

'Thrusting young executives who claim to understand poverty can be a pain'

now operates in 16 locations in England and Scotland. Like the BLTs it is locally self financing, relying on sponsorship in cash and kind.

It too is committed to involving more companies. "We have to make very considerable efforts to get new companies involved," says north east England director Deborah Jenkins. She has contacted more than 1,000 businesses in three years.

Miss Talbot says "getting your foot in the door" is the most difficult part: she fears the sheer number of organisations wanting to get companies involved in community-related activities may have a deterrent effect.

Miss Jenkins sees Common Purpose's main contribution as raising understanding and thinking about the *problems* facing cities. That includes breaking down preconceptions in all sectors.

"In one sense, the great disease is having too many people who want to get something done," she says. "Thrusting young executives can be a pain, especially when they think they know what makes people poor. It's very difficult for somebody successful to really understand somebody who doesn't appear successful."

There is, she says, a type of business thinking which believes there is no such thing as a problem, only a challenge. "It's an idea that if you look at a set of circumstances in a different way, it's not a problem, it's something terribly exciting to sort out."

For those living in fear of crime, making do on state benefits, coping on their own with children and resigned to unemployment, being seen as an exciting challenge may be just one more indignity.

The success of the Cruddas Park initiative is due in large measure to the recognition that solutions cannot be imposed on such areas. Local people must be actively involved, if possible as leaders. This takes time and slow, painstaking work, requiring long-term commitment and patience, qualities often in short supply among companies primarily concerned about survival and this year's balance sheet.

After three years' effort, the Cruddas Park initiative has so far helped 192 local people into employment and assisted residents in setting up four businesses. Local unemployment is now estimated at around 45 per cent.

While BIC wants to get more companies involved, Mr Ward of Barclays, who has shown strong personal commitment to TNI and to the Cruddas Park Community Trust, both of which he chairs, is worried about how the community can also be encouraged to participate. "My worry is that my perception and the business world's perception of what we are doing isn't necessarily seen by the community," he says. "It needs to come from both ends to work as effectively as it can."

Suspicion, apathy and resignation create barriers. "There's very warm acknowledgment from the doers in the community; but it's the vast majority of people on council estates who don't get involved," says Mr Ward. But he remains resolutely committed. "I'm a great optimist. If I wasn't I wouldn't do the job."

Lisa Wood on the role of the Training and Enterprise Councils

The focus is sharpening

A YEAR ago Doncaster Enterprise Agency was rather suspicious about the new Barnsley and Doncaster Training and Enterprise Council.

Mr Brian Crangle, chief executive of the agency, one of the 300-odd enterprise agencies in the UK which come under the umbrella of Business in the Community, says: "It was not clear whether the Tec was going to be a catalyst or a provider of services itself.

"But as our relationship has progressed we have come to a much better understanding of what the Tec is all about and *the positive role that it can* play in co-ordinating our activities."

Resolution of the role of Tecs in stimulating and supporting enterprise activities, in what is an already crowded playing field, has been one of the critical issues for the movement.

Tecs have been set up over the past two years by Mr Michael Howard, the former *Employment secretary.* Employer-led they drew their original inspiration from the Private Enterprise Councils in the US.

With a majority of private sector employers on their boards, Tecs were intended to bring a sharp new local focus to both training and enterprise activities in England and Wales.

Part of their enterprise brief has been *to promote* the growth of small companies and to bring greater coherence to the many strands of help available and to ensure that any gaps in services were filled with cost-effective provision.

Tecs' brief included the development of business information and advice services; the enterprise allowance scheme; training provision for small businesses and support for exporters.

The agenda has not been without problems, not least because the Department of Employment and the Department of Trade and Industry have not themselves closely co-ordinated their activities in the field of enterprise.

At the sharp end, Tecs have come into conflict with existing providers of business assistance – including chambers of commerce and enterprise agencies.

Chambers, like enterprise agencies, are largely supported by voluntary subscription and offer a wide range of services to their members including business advice.

The most notable conflicts between chambers and Tecs, for example, have been when Tecs have set up rival services to those of chambers, such as export advice, and where they have set up membership subscriptions from the same client base.

At best, however, a growing number of the 82 Tecs are either working in partnership with chambers of commerce and enterprise agencies, contracting with them to provide services including business information advice, or else they are providing leadership in co-ordinating activities.

County Durham Tec, for example, has created a network of eight "Business Services Centres" in partnership with existing bodies providing a single point of entry for the entire range of enterprise support services.

The Tec has based the centres on existing Enterprise Agencies and Development Agencies.

Birmingham Tec, in partnership with other agencies including enterprise agencies, is bringing together all enterprise initiatives to provide new and developing businesses with continuity and consistency of support.

The New Business Programme provides an integrated package including improved access to business counselling and advice, preparatory training and support funding.

Doncaster Enterprise Agency, for example, has a contract from Barnsley and Doncaster Tec to operate its enterprise allowance scheme, which *is a scheme* which offers unemployed people financial help to start their own businesses. Whether partnership will one day lead to marriage, with Tecs eventually absorbing some of the other players, remains to be seen.

Brian Crangle is probably typical of most Enterprise Agency activists when he says he could not envisage his agency being absorbed by the Tec although he sees closer and closer partnership arrangements.

"I believe in a federal approach," he says.

So what has the Tec brought to the party? Mr Crangle says that the fact that the Tec had money to spend was an important attraction in bringing people together.

"The fact that it has money to spend probably persuaded different people to sit down at the same table in the first place," he says.

He also believes that the boards of Tecs themselves, drawn from a localised business community along with representatives of public sector organisations such as local councils, are an important forum for the exchange of ideas.

According to a recent survey, contacts between small businesses and large local companies and public sector organisations are not particularly strong.

The survey, by Kingston Polytechnic for Midland Bank, said most small businesses were not as well integrated into strong local networks of contacts as many people generally assumed.

Tecs, it is hoped by the government, should bring a new spirit of co-operation and understanding into local business networks.

But a lot more will have to be done to raise the general performance to the standards reached by the best.

Working partners

□Continued from Page 1

Mrs Julia Cleverdon, BITC chief executive, believes that support has been well maintained partly because of the *interest of chairmen and chief* executives who insist on a commitment being kept. It is also partly because of a growing appreciation that the backing and sympathy of the local community is particularly valuable to a company in difficult times.

What seems to have happened in recent years is that an increasing number of large companies have appreciated the benefits of community involvement. But this has not filtered down sufficiently to smaller companies, who wonder whether they have the *resources to act effectively* enough.

What stops many business leaders from becoming involved in the community is not unwillingness, but a lack of knowledge of the working mechanisms through which their energies can best be channelled.

That is the purpose of today's meetings and of others to follow.

Andrew Jack discovers the spin-offs of seconding staff to local projects

Benefits that work both ways

ALISON KETTERING has no regrets about the 100 hours during which she was seconded part-time from the Nationwide Anglia building society to Islington Voluntary Action Council. She has since been promoted from management trainee to branch manager at Rayners Lane in London.

Her attachment over three months for a day each week provided a local community group with an analysis of how to improve its services. It also gave her – and indirectly her employer – the benefits of invaluable training in interviewing and report-writing, time management and a wholly different perspective on life and work.

The role of secondment in the community has shifted sharply in the last few years. The image of companies handing over begrudging burnt-out executives to voluntary organisations as an act of charity has all but disappeared. In its place have come the best up-and-coming staff on loan for sound commercial reasons.

The idea of loaning employees to an outside organisation – while normally keeping them on full salary and benefits – has been around for a long time. But its adoption is growing fast, and the reasons for doing so are more diverse and powerful than ever.

A survey in 1989 estimated that there were 890 secondees from the private sector and 150 from government departments during the year, representing staffing costs of about £20m. The trend has continued.

Nowhere is the pattern more clearly visible than at the Action Resource Centre, an organisation based in London and with offices around the country, which specialises in "brokering" secondments by establishing links between companies and voluntary organisations.

ARC's annual report, released at the start of this month, shows that it alone coordinated 425 secondments in the 12 months to the end of March. Mr David Hemsworth, director of communications, says: "The proof of the pudding is in the figures."

Companies are sufficiently keen that they willingly pay the £500-£1,000 fee charged by ARC for each secondee placed. In fact, Mr Hemsworth says he now finds much of his marketing efforts target voluntary organisations, to ensure that he can generate sufficient quality placements each year to meet demand from businesses.

Marks & Spencer alone used ARC to arrange 82 secondments this year. Meanwhile, Alison Kettering at Nationwide Anglia found herself competing against an enthusiastic glut of trainees who were trying to be allowed to take part.

ARC is not alone in arranging secondments. Accountancy firms are just one sector which has long seconded staff to public sector bodies such as the Stock Exchange and the Serious Fraud Office. The trade-off includes greater insight into the operation of government, training for those attached and potential business leads, and as well as altruism.

But even where attachments to the voluntary sector are concerned and the pay-back is rather more personal, large numbers of secondees have

The trade off includes insight into the working of government, business leads and altruism

been attracted from unsolicited applications from voluntary organisations to companies.

Some – particularly those sought to work in the network of local enterprise agencies around the country – are handled through Business in the Community. A vast number of shorter attachments – for one or two weeks – are arranged by Understanding British Industry, which specialises in placing school teachers into industry for a limited period.

"Secondment has come a long way over the last two years," says Mr Hemsworth. "The stereotype was of a tired executive being put out to grass before retirement. Like all stereotypes it had some truth to it. But the more accurate image now is of the early or mid-career manager using a short placement as way of development."

Traditionally, he says, requests for secondees were dealt with by companies' community affairs departments. Attachments were typically for full-time for two years or more, often with unclear objectives.

That sector remains important. But its growth has all but tailed off. In its place has come a range of shorter-term, often part-time attachments for bright young talent, normally arranged by the personnel or training department. In the time alloted, they may computerise the accounts, develop a marketing plan, or produce a feasibility study.

"They are taken out of the womb of their company and put in a different organisation in scale and ethos," says Mr Hemsworth. "They develop qualities of adaptability and hone soft management skills like negotiation, influence and communications."

Even in 1989, 41 per cent of companies offering secondments said they were designed for employees in mid-career. That proportion has grown sharply since, driven by the realisation that it provides clear returns to the company.

Short secondments are proving valuable for both general training and to prepare staff for a transition to a different job within their company.

As Heather Hubbard, training and development adviser at Marks & Spencer, puts it: "Secondment provides an opportunity to make not only a contribution to the community but also for personal development of staff. We think it's a very powerful method of developing management skills."

Voluntary organisations also benefit greatly. They are likely to get more energetic staff with a highly-focused project than through more traditional secondment programmes.

Mr Hemsworth stresses a number of important points that should be respected if the secondment is to work effectively. Companies need to recognise the importance of the idea from the board-level downwards.

Secondees must be genuinely committed to their attachments, and so should be fully prepared in advance and given a choice of possible assignments. They should also stay in regular touch with their employer.

And voluntary organisations must accept fully management responsibility for their secondees, helping them integrate and devising a project which provides lasting benefit rather than a spare pair of hands.

What the property developers did

Years of challenge

Heseltine comes back to Liverpool: it was a great experiment

AT the start of the 1980s, Mr Michael Heseltine, then environment secretary, invited the property industry to take part in "the great experiment of rebuilding new towns in old cities".

A decade later, after some striking successes and equally notable failures, the experiment continues in a substantially modified form.

The enterprise zones and urban development corporations that were set up in the 1980s, will, with the occasional exception, give way to a new set of initiatives reflecting the lessons of the last decade. "We need to learn from the 1980s," says Mr Victor Hausner, whose London-based consultancy is advising the government on urban renewal.

The 1980s vision of urban regeneration was to transform the character of run-down areas, by harnessing the energy of the private sector. The local authorities were largely excluded from the process, as their complex planning regulations and sometimes hostile attitude to business were seen as obstructive during the 1970s.

The architects of these proposals can claim that they overturned the scepticism and inertia that dogged inner city renewal during previous decades. Inner cities managed to attract many times as much investment from the private sector as from public funds.

But the roles of the public and private sectors are now being reassessed. Following the worst property recession in living memory, it will be some years before the private sector again takes such a prominent role.

The parlous financial state of many companies has forced them to put ambitious regeneration schemes in mothballs. Moreover, the government's policy of stimulating an area by tax breaks without any strategic planning in derelict areas has sometimes accentuated their problems, most notably in the London docklands which has become something of a graveyard for developers.

The London docklands, which has gone from boom to bust in a spectacular fashion, is perhaps a special case. Other inner cities which always had a greater struggle to attract investment did not become victims of their own success and may now be less affected by the downturn. "Recession hasn't dented our activity; we have weathered it very well," says Ms Fiona Blackwell of Teesside Development Corporation.

But a broader question which concerns all the development authorities set up by the government is whether the concept of using property development as a way of regenerating an area is a wise one.

The government saw its mission as a matter of restoring the economic life of areas that had been drained by depopulation and the decline of manufacturing industry. "The concept was to take a run-down area and transform its character so that it attracted people in where previously it had encouraged people out," said Mr Heseltine.

But the government's critics argue that it put too much emphasis on physical regeneration and too little on helping the communities who live in inner cities. "It is a fundamentally flawed approach," says Mr Bob Colenutt of the Docklands Consultative Committee which is about to publish a report on urban policy in the 1990s.

"The whole policy seems to be based on focusing public money on property-led flagship schemes, set against a background when public services like public transport and social housing are getting worse."

Mr Hausner, the department's adviser, recognises this criticism. He distinguishes between two aspects of urban policy: that concerning disadvantaged communities, such as training and education, and

□Continued on Page 4

Charles Batchelor assesses the recession's effect on company priorities

Resources battle gets tougher

SUPPORT for enterprise and, more specifically, backing for small businesses have become essential elements of the community involvement programmes of many large companies over the past decade.

Enterprise support has not escaped the rigorous reappraisal which big business has given to its charitable giving but there are no signs that large companies are making any fundamental shift away from this area of activity.

The recession has undoubtedly put pressure on community support budgets but it has also emphasised the importance of backing local, small scale economic activity if the large businesses themselves are to prosper. At the same time enterprise support, which emerged as a legitimate part of community involvement in the late 1970s and early 1980s, is increasingly obliged to fight for its share of companies' community budgets alongside education and the environment.

For many companies education and enterprise are closely linked themes. They frequently seek to inject an element of enterprise into the formal education system which, in the view of many observers, has been hostile to the business ethic. At the same time fostering enterprise or self-reliance was seen as being of benefit to the pupil regardless of whether he or she was destined for self-employment or employment.

Enterprise support has traditionally taken a number of forms:

- Seconding staff to help organisations such as the enterprise agencies advise entrepreneurs setting up in business. This process also benefited the staff who gained a broader experience.
- Providing funds to support advice organisations and run training programmes.
- Turning over redundant factory or office space to provide workshops for small businesses. The donor would often subsidise or provide centralised facilities such as a switchboard, receptionist and security.
- Providing finance for small venture capital and loan funds.

Shell UK, for one, is maintaining its £1m-a-year commitment to its two main enterprise programmes aimed at young people, says Mr Asif Abdulla, enterprise manager. Its Livewire programme provides advice and awards in cash and "kind" to 16-25 year olds who submit an acceptable business plan while the Shell Technology Enterprise Programme (STEP) places 400 polytechnic and university students with small businesses during their summer vacation.

Shell is continuing its backing for start-ups at a time when much of the emphasis of small firms support is switching to the more established, though still small, business. This shift has been prompted by the realisation that established companies have already survived the most difficult early days and are more likely to create jobs in the short term than start- ups.

But Shell remains convinced of the need, and the value to its public image, of backing young people with business ideas. As part of the more pragmatic approach that businesses have been taking to their community programmes in recent years Shell has been keen to obtain "leverage" for its own investment in enterprise programmes by bringing in co-sponsors.

British Steel (Industry) and British Coal Enterprise helped sponsor the 1991 STEP programme. Every £1 that Shell puts into STEP generates a total investment of £8, says Mr Abdulla. The Prince's Youth Business Trust (PYBT), which helps young entrepreneurs, has noticed a far more commercial approach by sponsors.

In the past many sponsors provided money from their charitable funds with no strings attached and with little expectation of any acknowledgment of their contribution. But increasingly, the PYBT reports, companies have begun backing enterprise from their marketing budgets. This means organisations seeking corporate backing must be aware of their sponsors' marketing needs and be willing to accept more overt promotional links.

The PYBT's most recent fund-raising, to mark the Prince of Wales's 40th birthday, sought deliberately to raise money from small and medium-sized businesses to compensate for cut-backs among its traditional blue-chip sponsors. The most recent instance of a large company recasting its community involvement policy came with the announcement last month by National Westminster Bank that community activities would reflect its business priorities more closely.

The bank gave £13.7m to community support last year. NatWest said it had adopted the promotion of a more financially informed society and the encouragement of enterprise skills as its central objective. Previously the bank had tended to support good ideas rather than focus on aims.

By focusing on activities it understands best the bank hopes to make greater use of staff skills as well as providing money for the causes it backs. The NatWest approach is expected to be adopted more widely by large companies.

BP, the petroleum company, has also focused its community activities more closely – it has recently devoted considerable effort to backing innovation –

There is a switch from charitable funds to marketing budgets

while BAT Industries, the tobacco and financial services group, is concentrating on a smaller number of big projects.

Large companies are increasingly likely to draw up formal policy statements for their community involvement. These frequently reveal a broad spread of activities. British Gas, for example, lists six main categories under its "social policy." These cover education, the environment, the arts, sport, charitable support and community projects. This last category includes backing enterprise and developing small businesses, particularly among the economically and socially disadvantaged.

As part of enterprise support British Gas backs Young Enterprise, a project which helps 15-19 year olds set up and run businesses. It is also helping set up the Felix Road Enterprise Centre in Bristol to provide 21,000 sq. ft of light industrial space, offices and studio workshops.

This is part of a policy intended to reach many audiences: customers and their communities, employees, shareholders, the business community and local and national government. "More than ever we must speak to these audiences directly by achieving a positive public profile from the projects we support," the company says.

BAT Industries' community involvement programme in the UK has two main goals, the company says. These are "to provide support to small businesses and to enable young people to receive high quality, productive education." The reason for this involvement is because it "believes that no successful company can exist in isolation from the community in which it does business".

BAT has concentrated its efforts on backing enterprise agencies in Southampton and South London and on financing the creation of business centres providing accommodation for small companies in Liverpool and Brixton. The approach of big business to community involvement is becoming more tightly focused within a broader range of overall objectives. There are no signs, though, that large companies are any less committed to community programmes in general or to the theme of enterprise in particular.

Schools and colleges are a prime field for involvement, writes **Andrew Adonis**

Stimulus for pupils and teachers

THE *Mary Rose* is not the first thing one associates with engineering. But for Roy Hedges, a consulting structural engineer who worked on the *Mary Rose* project, describing the recovery of Henry VIII's flagship to fourth formers at Bullers Wood School for Girls in Chislehurst, Kent, was among the most rewarding events in his first year as one of the school's "neighbourhood engineers".

"The strongest bias against technology comes from the parents", says Mr Hedges, partner in a Bromley firm of structural engineers and one of 6,000 neighbourhood engineers attached to 1,600 secondary schools across the country. "Yougsters have a better idea of what engineering is about than their parents – who see it as dirty hands and overalls. Our job is to break the stereotypes."

To help do so, Mr Hedges has arranged work experience schemes in his company for several pupils, and is a frequent visitor to the school – talking, for instance, to third years about to make GCSE option choices. It is much appreciated by the school: "for 10 years we have encouraged girls to take maths and science seriously", says Mrs Barbara Vanderstock, the head teacher.

The neighbourhood engineers scheme, run by the Engineering Council*, is just one of many activities supported by Business in the Community** in its quest to get business to play a more active role on the education scene.

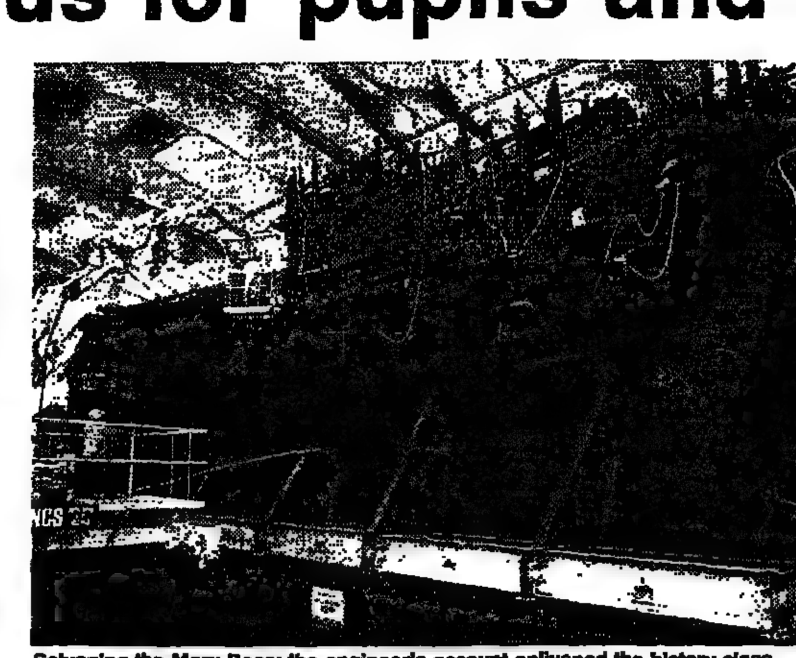
"Education is number one item on the agenda of many member companies," says Ian Pearce, BIC's education director. "We are keen to move business on from sponsorship to people power – commiting expertise to schools and colleges, actually getting employees to help with curriculum projects or to act as governors, management consultants and mentors. BIC has set up a "leadership team" under Michael Heron, Unilever's personnel director, to provide vision and national focus on what business can do with educators to increase opportunities for all young people.

Working through Britain's 150 Education Business Partnerships (EBPs) – comprising local representatives of business, local education authorities, schools and colleges – BIC sees its main task as raising the level of corporate activity in schools and colleges.

It could hardly start from a lower base. Only one in 10companies currently engages in educational partnership worth the name – and often that is pure tokenism. BIC wants company top brass to consider what they could do – and ought to be doing – under headings like these.

● **Compacts.** Compacts are bargains between young people, employers and schools/colleges, by which employers agree to give training or employment priority to young people who meet targets for attendance, punctuality, exam results and so on. Compact centres – 62 of them in inner cities nationwide, attached to local BEPs and Training and Enterprise Councils – act as contacts and matchmakers.

Ken Young, deputy chairman of the Post Office, sees compacts as "one of our best investments of time and talent into community projects – showing benefits for employers and school leavers alike."



Salvaging the Mary Rose: the engineer's account enlivened the history class

● **Teacher placements in industry.** Since 1977 a teacher placement service, now sponsored jointly by the CBI and the employment department, has organised short stints in companies for teachers and education administrators.

The scheme is well-organised and expanding, with 141 placement organisers setting up links between schools and businesses across the country. Nearly 30,000 teachers did placements last year, most of them lasting about a week. "I have come away from this week with so many ideas as a result of my time with London Buses", says Pam Riley of Blackfen School for Girls in the TPS blurb, "that I and another teacher on placement are producing a schools maths workshop pack based on London buses".

The teacher placement office in Oxford*** has details – and is on the lookout for sponsors. Placements are well supported by briefing, with special study and video packs for those embarking on them. "It is a very individual service", says Jan Hussey, TPR's information officer. "The main problem area is modern languages, where it is hard to find companies with a relevant department". The aim is to give 10 per cent of teachers direct business experience each year leading to long term development in teaching and the management of schools."

● **Secondments.** BEPs need full-time staff, and company secondees are the ideal recruits. At present some 40 companies secondees - from Barclays Bank to the Royal Mail – have staff on secondment: far more are needed to work with education institutions and help develop quality activities with local industries.

Alan Hodges of Marks & Spencer spent two years as co-director of Mid-Glamorgan EBP learning much about local education and corporate responsibility before promotion to run the Swindon.

● **School governors.** Britain's 35,000 schools need from eight to 18 governors apiece – and more than half of them, under recent legislation, must be either parents or co-optees with relevant experience. John Patten, the new education secretary, recently launched a "schools need governors" campaign, urging employers to give employees time off with no loss of pay to become governors.

"Employers cannot complain at the output of schools if they do not offer their employees the opportunity to become governors," he told an assembled crowd of business and education leaders.

● **Curriculum enhancement.** Companies provide resources, access to plant and volunteer employees to work with teachers on new courses and with pupils as mentors. Esso has helped with the School Curriculum Industry partnership to work with primary schools and publish guidance on "Industry and the Curriculum 5-14."

● **Quality work experience.** Every young person needs access to challenging work roles to help understand about industry, the world of work and career opportunities. Rover gives annual awards to the best school programmes.

It is often supposed that teachers and parents alone make schools tick. But business can make learning more realistic, exciting and relevant to youngsters. Britain's top five per cent of pupils lead the world, but the others are less competitive. If Britain is to recruit and train staff to operate new technologies of modern business, a lot more than one in 10 companies will have to play a part in education.

* *Details from the Engineering Council, 10 Maltravers St, London WC2R 3ER.*

** *Business in the Community, 227a City Road, London EC1V 1LX.*

*** *Teacher Placement Service, Sun Alliance House, New Inn Hall St., Oxford*

Andrew Jack offers a check list of useful contacts

An embarrassment of help

REQUEST the considered opinion of five economists, it is said, and you will get at least five answers. *Think of any one* community issue in which business might want to become involved and, by the same token, you will get at least a dozen organisations soliciting for help.

If the 1980s saw the dawn of corporate responsibility, the 1990s may well see something of its shake-out. The number of organisations and initiatives in every conceivable field has swelled demand beyond belief.

At the same time, the supply of potential sponsors has been growing. "In the past, company policy was largely determined by ad hoc charitable links," says Mr Adrian Hodges, director of communications for Business in the Community. "Now more and more companies are recognising the business case for involvement."

Companies are trying to improve the quality of their involvement in the community and manage it like any other part of their business, he argues. Equally, the nature of corporate decision-making has changed. Companies have been switching over the last two decades to far greater employee participation in how corporate resources should be invested in the community, away from the so-called "chairman's wife syndrome".

All these pressures of increased selectivity, swelling demand and burgeoning supply have generated the need for assistance through the maze. The wide range of choices now presenting themselves to companies is bewildering and even intimidating.

It may also be off-putting, as busy decision-makers seek a simple way to invest their energies without wading through enormous documents to decide on the most worthy cause.

"Companies often quote the difficulty in knowing where to go, and who the right organisations to work with are," says Hodges. "Duplication of effort is something which concerns them. We try to help identify their business needs, and signpost them in the right direction."

He says the organisation prides itself on "the two telephone test". Companies interested in any issue should be able to make no more than two phone calls – the first to BIC – in order to gather information or reach the organisation they want to support.

While there may be dangers of turning to a single organisation for help, BIC does have one clear advantage: its "signposting" advice comes free of charge. "We're here to help encourage community involvement," says Hodges.

None the less, he points out that BIC does need subscriptions to survive, which it derives from subscribing companies, of which there are currently about 500. For these members, it will help develop community involvement programmes in much greater detail.

For those companies which want a second opinion even on which organisation should receive their first phone call, other options are available. They may have to do some research, but there are a number of private consultancy organisations and other non-profit groups which can help.

Two of the best sources for news about organisations, issues and general developments in corporate community involvement are the monthly publication *Sponsorship News* and the bi-monthly newsletter *Community Affairs Briefing*.

There are also a wide range of organisations, some of which are listed below.

GENERAL ORGANISATIONS
■Business in the Community
(*BIC also has specialist sub-divisions including the Arts, Enterprise Team, Education Unit, Business in the Environment and International Business in the Community*)
227a City Road, London EC1V 1LX. 071-253-3716
5 Cleveland Place, London SW1Y 6JJ. 071-321-6400

THE ARTS
■Association for Business Sponsorship of the Arts
Nutmeg House, 60 Gainsford Streeet, London SE1 2NY. 071-378-8143

CHARITIES
■Charities Aid Foundation
48 Pembury Road, Tonbridge, Kent TN9 2JD. 0732-771333
■*Directory of Social Change*
Radius Works, Back Lane, London NW3 1HL. 071-435-8171

COMMUNITY ECONOMIC DEVELOPMENT
■*Community Development Foundation*
60 Highbury Grove, London N5 2AG. 071-226-5375
■National Council for Voluntary Organisations
26 Bedford Square, London WC1B 3HU. 071-636-4066

DEVELOPING YOUNG MANAGERS
■Common Purpose
12/18 Hoxton Street, London N1 6NG. 071-729-5979

EDUCATION
■Council for Industry & Higher Education
100 Park Village East, London NW1 3JR. 071-387-2171

ENTERPRISE
■Prince's Youth Business Trust
5 Cleveland Place, London SW1Y 6JJ. 071-321-6501

ENVIRONMENT
■British Trust for Conservation Volunteers
80 York Way, London N1 9AG. 071-833-8951
■The Civic Trust
17 Carlton House Terrace, London SW1Y 5AW. 071-930-0914
■Community Service Volunteers
237 Pentonville Road, London N1 9NG. 071-278-6601
■*The Tidy Britain Group*
The Pier, Wigan. 0942-824620
■Groundwork Foundation
Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST. 021-236-8565

INNER CITIES
■Inner City Task Force Unit
Ashdown House, 123 Victoria Street, London SW1E 6RB. 071-215-6734
■*Action for Cities*
Room P2 101, 2 Marsham Street, London SW1P 3EB. *071-375-3053*

SECONDMENT
■*Action Resource Centre*
112 Park Village East, London NW1 3SP. 071-383-2200

SPORTS
■The Sports Council
16 Upper Woburn Place, London WC1H 0QH. 071-388-1277

TRAINING AND ENTERPRISE
General
■The Industrial Society
3 Carlton House Terrace, London SW1Y 5DG. 071-839-4300
Ethnic minorities
■Fullemploy
County House, Great Dover Street, London SE1 5DG. 071-378-1774
Disabled
■Employers Forum on Disability
6 Cleveland Place, London SW1Y 6JJ. 071-321-6591
Ex-offenders
■NACRO
169 Clapham Road, London SW9 0PU. 071-582-6100
■Apex Trust
12/18 Hoxton Street, London N1 6NG. 071-729-6979
Young people
■Prince's Trust
8 Bedford Row, London WC1R 4BA. 071-430-0524
■Volunteers
9 Jockeys Fields, London WC1R 4BW. 071-430-0378
■Livewire
60 Grainger Street, Newcastle upon Tyne NE1 5JG. 091-261-5584
Long-term unemployed
■Community Industry
Head Office, Victoria House, Croft Street, Widnes, Cheshire WA8 0NQ. 051-495-2114

TRAINING AND ENTERPRISE COUNCILS
■National Training Task Force
Room W719, Moorfoot, Sheffield S1 4PQ. 0742-593944
■TEC secretariat: 0534-843566

Source: adapted from *Directions for the Nineties*, published by Business in the Community **Publications:** *Sponsorship News*. Charterhouse Business Publications, POB 66, Wokingham, Berks. RG11 4RQ. 0734-772770. (£92 per year)
Community Affairs Briefing. 14 Soho Square, London W1. Mike Tuffrey. 071-287-6676. (£190 pa).

Property developers' task

□Continued from Page 3

that concerning mainstream private sector regeneration. "Those elements have to be linked more closely," he says.

Mr Hausner believes that the government is addressing this issue in its City Challenge scheme in which local authorities, acting with private developers, compete for extra funds from the government.

This demonstrates, he says, that the government is no longer turning its back on the local authorities, whose input is central to the City Challenge. Moreover, the local authorities are taking an active approach to implementing their policy, often by recruiting executives to take care of their programmes. This is a step towards overcoming one of failings of the 1980s, which was weak implementation of policy, he says.

The City Challenge proposals have been criticised as a "game show" by the Labour party, which is concerned that it merely slices cash off existing urban and housing schemes and involves no new funds.

Other critics such as Mr Nigel Smith of Drivers Jonas, chartered surveyor, thinks that some of the proposals may be impractical as they lack sufficient property expertise.

But the City Challenge scheme has probably been successful in laying the groundwork for a more successful partnership between the local authorities and the private sector than has been seen for two decades. According to Mr Ted Watts, president of the Royal Institution of Chartered Surveyors, "local authorities have taken on board the need not to take on everything themselves but to involve the private sector".

Beyond the City Challenge proposals, government policy on urban regeneration is not yet wholly defined. The new urban regeneration agency, the more interventionist philosophy of the Department of Trade and Industry and the increasing attention paid by the EC to urban centres will all shape policy during the 1990s.

The private sector, now taking a largely back seat role, will play an increasing part as the property sector comes out of recession. Mr Nigel Smith of Drivers Jonas reports that in some parts of the country developers are still active, although in the commercial sector pre-lets and pre-sales are essential.

He thinks there are grounds for optimism about the partnership between the public and private sector. Developers will be encouraged by the government's greater willingness to put money into infrastructure, to do more planning and to release land in more manageable lot sizes. "There is more realism," he says.

Mr Hausner agrees that the more realistic approach adopted by the public sector augurs well for private sector developers. "The situation is one of great potential if we learn lessons from the 1980s," he says. "There is a lot to play for."

Vanessa Houlder

LONDON STOCK EXCHANGE

Bid hints drive Footsie to new record

By Steve Thompson

THE LONDON market began the new three-week trading account in excellent fashion, with a renewed flurry of takeover speculation plus another *sizeable bought deal*, and the FT-SE 100-share Index pushed up to its fourth consecutive closing high. At the close of business, the Footsie was 12.1 firmer at 2,737.8.

Takeover speculation sprang from the intense activity after *the market closed last Friday*, when it was revealed that Hanson had sold its 2.82 per cent *stake in ICI, some 20m shares*, to Goldman Sachs, the US investment bank, via a bought deal.

The game in the market at the opening yesterday was "spot the new Hanson bid target", with a fistful of big names getting the takeover target treatment. Towards the *close there were also stories* that a big takeover, unconnected with Hanson, could be in the making. Asda, the supermarket group, was one name put forward. Turnover in Asda shares has rocketed during recent sessions.

Bid speculation was spiced by another strong performance from the futures market and *the latest in a series of confidence-boosting* showings by sterling against the dollar and the D-Mark.

There was momentary confusion in the equity market at the outset of trading when it was abundantly clear that a series of marketmaker input errors had distorted the Footsie which was initially shown as 180 points up.

Swift technical adjustment *ensued and the Footsie was* subsequently indicated as being some five points ahead minutes after trading commenced. The early running among the leading stocks was taken up by *stocks* viewed in the market as potential targets for a re-armed Hanson.

Account Dealing Dates		
*First Dealings:		
Apr 27	May 11	Jun 1
Option Declarations:		
May 7	May 28	Jun 11
Last Dealings:		
May 8	May 29	Jun 12
Account Day:		
May 18	Jun 8	Jun 22

*New-time dealings may take place from 9.00 am two business days earlier.

Dealers said Allied-Lyons, Trafalgar House, Blue Circle, Tarmac, and a host of others had been given an early shot in the arm by the bid suggestions.

By mid-morning the market had accelerated to a new intraday peak of 2,744.5, up 18.8. From then on, profit-takers began to gain the upper hand. A couple of programme trades were reported during during the morning, with at least one weighted to the sell side. A quiet opening by Wall Street *saw the Footsie slip further to* show a rise of 8 points in mid-afternoon before a late rally as the US market began to gain ground.

BTR provided the market with the latest in a long line of bought deals by selling its per cent stake, 31m Pilkington, among the world's leading glass makers, to BZW, the investment bank. Ironically, Pilkington has been one of the *market's strong takeover* favourites.

Last Friday's sale by Hanson of its ICI stake remained a big talking point. Goldman Sachs, which bought the shares from Hanson, was said to be still carrying a large block of the shares on its trading book.

Equity turnover continued to please, reaching 651.6m shares *yesterday. The value of customer business last Friday* jumped to £1.88bn, boosted by the ICI bought deal.

Senior dealers were not unduly concerned at the latest surge by the equity market although some expect a correction in the near term.

FINANCIAL TIMES STOCK INDICES

	May 11	May 8	May 7	May 6	May 5	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.67	88.57	88.57	88.56	88.49	84.78	88.82 (15/4)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	103.78	103.50	103.45	103.43	103.46	94.10	103.76 (11/5)	97.15 (2/1)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	2147.1	2134.7	2110.2	2107.2	2083.3	1942.6	2147.1 (11/5)	1851.4 (3/4)	2147.1 (11/5/92)	49.4 (26/6/40)
Gold Mines	111.0	110.5	111.3	110.6	110.9	144.2	160.6 (10/1)	106.8 (29/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2737.8	2725.7	2701.9	2698.7	2662.2	2486.6	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1248.79	1247.48†	1237.52	1232.81	1224.04	1163.56	1249.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.52 (16/1/91)
●Ord. Div. Yield	4.24	4.26	4.30	4.31	4.36	4.94				
●Earning Yld %(full)	6.02	6.04	6.11	6.13	6.26	8.85				
●P/E Ratio(Net)(*)	20.84	20.78	20.54	20.49	20.05	13.89				
SEAQ Bargns 5.00pm	41,075	45,645	39,243	30,898	29,118	26,792				
Equity Turnover(£m)†	-	1878.0	1558.9	1332.3	1086.1	591.02				
Equity Bargains†	-	50,165	49,997	35,137	33,578	26,343				
Shares Traded (ml)†	-	748.6	718.1	557.3	507.1	305.6				

Basis 100 Govt Secs 15/10/26, Fixed Int 1928, Ordinary 1/7/35, Gold mines 12/9/55, Base 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. [illegible]

Ordinary Share Index, Hourly changes — Day's High 2154.9 — Day's Low 2139.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2139.5	2140.0	2148.1	2153.9	2147.4	2145.6	2143.3	2142.4	2144.9

FT-SE 100, Hourly changes — Day's High 2744.5 — Day's Low 2730.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2731.3	2730.5	2735.8	2743.9	2737.5	2736.5	2735.1	2733.8	2733.6

FT-SE Eurotrack 200, Hourly changes — Day's High 1252.11 — Day's Low 1248.41

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1249.53	1250.20	1251.25	1249.73	1249.74	1248.62	1249.02

GILT EDGED ACTIVITY

Indices*	May 8	May 7
Gilt Edged Bargains	140.5	172.5
5 – Day average	137.9	129.7

*SE Activity 1974
†Excluding intra-market business and Overseas turnover

London report and latest Share index: Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p minute at all other times.

BTR sells stake in Pilkington

A FLURRY of excitement gripped the London market yesterday afternoon, as word went round that international conglomerate BTR had sold its 4.1 per cent stake in Pilkington, one of the world's biggest glassmakers, for which it unsuccessfully bid in November 1986.

After the market closed it was confirmed that BZW had bought the 31.2m shares for £50m, or 161p apiece. There were suggestions in the market, however, that only about 16.2m shares of the total had been placed at 162½p, with unconfirmed reports that around 11.2m had been presold. One leading marketmaker was seen to have been an *aggressive bidder for Pilkington* stock in the dying minutes of the session, offering up to 166p a share.

BTR closed 2 firmer at 496p, while Pilkington eased a penny to 163p.

Fisons slips

Pharmaceuticals group *Fisons declined* 10 to 369p ahead of today's annual meeting as French stockbroker *Société Générale Strauss Turnbull* lowered its profits forecast for the company.

Strauss analyst Mr Peter Laing said he had serious doubts over the fate of two Fisons products banned in the US last year after a dispute on production standards and methods. He doubted whether Opticrom, an eye allergy treatment, would get back in the US market as its US patent ends next year. He added that anaemia treatment Imferon could be *overshadowed by a direct* competitor developed in the US. Mr Laing cut his 1992 estimate to between £220m and £225m from £240m and lowered his 1993 prediction to £260m from £310m.

Northern rises

A buoyant food manufacturing sector was headed by Northern Foods, which surged 19 to 618p on the back of *recommendations from two* brokers.

Nomura analyst Mr Carl *Short was positive on the stock* at the house morning meeting yesterday, citing Northern's recent underperformance and the proposed reform of the Milk Marketing Board as his reasons. County NatWest issued a large research note on the sector in which Northern was highlighted as one of several stocks forecast to outper*form the market.*

Other food manufacturers were strong, with UBS *Phillips & Drew said to be* short of stock. Bid talk fingering Hanson and Nestlé as possible predators further lifted sentiment. Booker, also recommended by County, gained 24 to 474p, Cadbury-Schweppes 8 to 495p, Dalgety 13 to 435p and Unigate 15 to 353p.

Troubled chemicals company MTM jumped 10 to 63p ahead of tomorrow's figures.

Selected property issues were strong on press talk of further interest rate cuts this *year. One analyst also said* that some companies were indicating a slight rise in site valuations. *British Land rose* 7 to 201p, Hammerson Ordinary 19 to 428p and Land Securities 10 to 455p.

Press reports that the fifth terminal at London's Heathrow airport will not be as expensive as previously expected pushed BAA up 8 to 653p, with analysts saying the company was unlikely to need a rights issue to finance the project. Associated British Ports was lifted 10 to 440p by a favourable annual *meeting.*

Speculation that Lucas Industries was considering a rival bid for Dowty Group left the former off 6 at 147p. Dowty ended unaltered at 187p.

There was caution ahead of today's figures from Marks and Spencer, with analysts nervous over the level of their sales forecasts for the stores group. The shares slipped 2 to 330p.

Chunky volume in Asda – a further 15m shares were traded yesterday *following last week's* heavy turnover – did little to *rid the market of takeover* speculation, although most analysts were dismissive of the day's rumours. The stock added 2¾ at 31¼p.

Vague bid talk also surrounded Kwik Save, which rose 19½ to 640p xd.

Concern that US investment house Goldman Sachs might be having some difficulty getting away the whole of Hanson's 20m-share stake in ICI overshadowed the chemicals group, *which slipped 8 to 1395p.* Goldman bought the shares at 1400p each and was said to be offering them at 1410p.

Conglomerate Hanson, which made £28m profit from the stake and is reckoned to be readying itself for another big bid, rose 5 to 243½p. However, analysts believe it is set to announce a fall in half-year profits of around 15 per cent to between £490m and £505m when it reports on Thursday.

A report that US investment house Smith Barney had softened its enthusiasm for Glaxo held back the pharmaceuticals *group on both sides of the* Atlantic. In London, Glaxo closed a penny off at 776p.

Smith Barney removed Glaxo from its short-term recommendation list, replacing it with Pfizer, which has had several new product launches lately, but kept it on its principal buy list.

Reuters was firm after a presentation to analysts in Geneva last week. The company was enthusiastic on its *new automated foreign* exchange system Dealing 2000-2, and Hoare Govett reiter*ated its buy stance on the* stock. The shares were 20 stronger before easing with the market to close 6 up at 1242p.

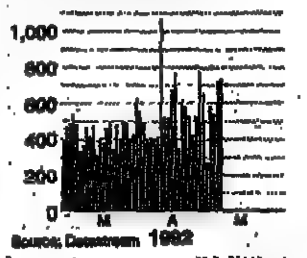
MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Peter John.

■ Other market statistics, Page 25.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Source: Datastream 1992

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	7	400	-3	[illegible]				Lucas	1,100	147	-6	[illegible]			
ASDA Group	16,000	31¼	+3	Cookson	1,700	157		MB Caradon	1,000		+2				
Abbey National	1,700	310	+3	Courtaulds	540	585	-3	MEPC							
Albert Fisher	1,500	82	+2	Dalgety	962	435	+13	Maxwell							
Allied-Lyons	2,800	650	+12	De La Rue		603	+11	Marks & Spencer	2,100	330	-2				
Amstrad	1,000	39	-½	Dixons	1,500		+1	McCorquodale							
Anglian Water	215	430	+1	ECC Group											
Argos	458	289	-1	Eastern Elect	1,800		-4	NFC							
Argyll Group	357	363	+2	East Midland Elect	3,100	300	-2	NatWest Bank							
Arjo Wiggins	2,100	286	-1	Enterprise Oil				National Power							
[illegible]															

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

STOCK index futures appeared to lose some of their recent *momentum, although* a squeeze late in the session helped the June contract end strongly on *fairly high* turnover, writes Joel Kibazo.

The June contract on the FT-SE started the session at around 2,660, and quickly ran ahead to reach the day's high of 2,772 by mid-morning. It then lost the momentum and was seen to slide back, leading one trader to comment that "the FT-SE is begining to look *a bit tired*".

Two-way business characterised the afternoon session, with *Wall Street said to have* had no influence on June, although a squeeze in the last few minutes of the session helped June end firmly.

June eventually closed at 2,764, around 20 points above its estimated fair value premium to cash which yesterday fell to about 8. Turnover was a healthy 7,142 contracts.

The traded options market witnessed a quieter session, and turnover at 30,418 was just ahead of the break-even level of the market.

The FT-SE contract traded 9,638 lots. Hanson was the busiest stock option with a total of 4,649 contracts. The May 240 calls were particularly busy. This was followed by Ladbroke on 2,000 lots.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (496).
BRITISH FUNDS (14) Tr 9pc '92, Tr 8¾pc '93, Tr 8½pc '94, Tr 9pc '94, Cv 10pc '96, Tr 8¾pc '97, Ex 9¾pc '98, Tr 6¾pc '95-98, Ex 12pc '98, Tr 9½pc '99, Tr 10½pc '99, Ex 12¼pc '99, Cv 10¼pc '99, Tr 14pc '98-01, [illegible]

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday May 11 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri May 8 Index No.	Thu May 7 Index No.	Wed May 6 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (179)	928.64	+0.5	6.58	5.01	19.77	14.90	924.10	909.20	900.49	837.23
2 Building Materials (22)	1121.52	+1.1	5.36	5.28	26.41	19.03	1109.74	1096.90	1088.87	1069.43
3 Contracting, Construction (28)	1069.64	+0.1	5.41	5.64	28.08	23.02	1068.91	1042.88	1030.04	1318.42
4 Electricals (8)	2648.63	+1.3	6.98	5.57	18.60	68.82	2614.71	2600.08	2570.51	2371.04
5 Electronics (29)	2069.60	+0.7	8.70	4.11	14.58	5.05	2055.20	2030.93	2014.21	1756.42
6 Engineering-Aerospace (7)	399.92	-0.3	8.77	6.49	14.46	11.16	401.23	393.46	388.63	436.53
7 Engineering-General (44)	558.75	+0.7	7.39	4.22	16.77	7.82	554.88	546.58	539.88	443.06
8 Metals and Metal Forming (8)	375.08	+0.1	0.87	9.24	-	2.03	374.78	372.71	376.74	456.94
9 Motors (14)	392.05	-0.6	6.01	6.00	19.30	9.96	394.37	383.10	372.72	325.85
10 Other Industrial Materials (19)	1906.65	+0.4	6.52	4.35	18.47	33.79	1898.48	1862.90	1847.05	1515.46
21 CONSUMER GROUP (188)	1761.38	+0.5	6.86	3.25	17.86	16.67	1752.82	1735.92	1736.03	1460.03
22 Brewers and Distillers (24)	2278.85	+0.4	7.20	3.19	16.65	16.84	2270.60	2243.43	2236.00	1810.16
25 Food Manufacturing (17)	1327.80	+1.9	8.12	3.96	15.25	20.33	1303.66	1289.58	1282.35	1164.30
26 Food Retailing (18)	2910.90	+1.8	7.91	2.97	16.42	20.23	2859.48	2830.41	2805.28	2811.81
27 Health and Household (24)	4267.34	-0.1	6.47	2.49	17.63	35.04	4271.51	4251.55	4255.03	3265.82
29 Hotels and Leisure (20)	1447.56	+0.3	5.90	4.72	21.89	23.50	1443.52	1431.75	1442.96	1332.24
30 Media (25)	1721.09	+1.1	5.59	3.19	22.28	18.07	1702.44	1676.72	1664.74	1447.65
31 Packaging, Paper & Printing (17)	873.53	+0.8	5.97	3.78	20.22	11.55	866.98	859.61	855.60	672.82
34 Stores (33)	1101.50	-0.6	6.77	3.29	19.55	6.71	1107.65	1093.07	1107.14	919.60
35 Textiles (10)	754.92	-0.2	6.32	4.11	19.97	10.52	756.70	752.91	750.53	541.13
40 OTHER GROUPS (116)	1359.32	+0.5	8.09	4.73	14.16	14.24	1353.11	1337.72	1333.04	1219.70
41 Business Services (17)	1511.16	+0.4	6.46	4.18	19.52	14.66	1505.43	1468.39	1450.10	1212.77
42 Chemicals (22)	1625.28	-0.3	6.46	4.47	18.93	24.37	1629.99	1613.26	1609.57	1273.92
43 Conglomerates (11)	1509.94	+1.9	9.34	6.29	13.09	11.37	1481.06	1463.59	1458.14	1536.40
44 Transport (14)	2772.88	+1.3	4.55	4.10	29.22	30.47	2736.10	2694.91	2717.76	2214.00
45 Electricity (16)	1319.85	+0.1	13.31	4.93	9.80	17.21	1318.21	1310.61	1294.61	1204.85
46 Telephone Networks(4)	1462.32	-0.2	10.72	4.29	12.18	16.02	1465.92	1441.99	1438.01	1464.12
47 Water(10)	2934.20	+0.7	14.53	5.42	7.58	0.00	2913.99	2906.61	2916.88	2476.89
48 Miscellaneous (22)	2167.85	+0.7	5.45	4.55	24.26	21.83	2151.72	2142.06	2135.09	1860.11
49 INDUSTRIAL GROUP (483)	1427.37	+0.5	7.44	4.04	16.79	15.74	1421.15	1404.94	1400.50	1233.47
51 Oil & Gas (17)	2091.59	+0.3	7.26	6.80	18.10	63.63	2085.67	2114.05	2124.40	2366.98
59 500 SHARE INDEX (500)	1493.99	+0.5	7.43	4.31	16.91	19.30	1487.15	1473.82	1470.35	1330.08
61 FINANCIAL GROUP (87)	792.96	+1.1	-	5.72	-	17.10	784.51	773.40	770.45	807.59
62 Banks (9)	1002.66	+0.8	4.81	5.45	32.86	24.58	994.23	971.07	967.97	906.44
65 Insurance (Life) (6)	1581.60	+1.2	-	5.63	-	44.26	1563.18	1534.72	1538.16	1474.37
66 Insurance (Composite) (7)	558.36	+1.1	-	6.23	-	13.46	552.51	554.13	546.59	672.37
67 Insurance (Brokers) (10)	992.18	+1.8	7.78	6.76	16.96	21.48	974.98	972.60	967.93	1097.13
68 Merchant Banks (7)	515.99	+1.1	-	4.02	-	4.25	510.60	507.89	506.28	425.02
69 Property (33)	730.62	+1.7	7.33	6.26	18.98	6.75	718.65	714.82	715.20	802.75
70 Other Financial (15)	266.49	+0.9	6.52	6.49	21.02	3.12	264.00	260.90	260.09	287.77
71 Investment Trusts (70)	1273.08	+0.3	-	3.52	-	15.07	1268.68	1260.64	1252.97	1211.12
99 ALL-SHARE INDEX (657)	1326.36	+0.5	-	4.45	-	18.45	1319.37	1306.82	1303.40	1203.31

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 8	May 7	May 6	May 5	May 1	Year ago
FT-SE 100 SHARE INDEX‡	2737.8	+12.1	2744.5	2730.8	2725.7	2701.9	2698.7	2662.2	2659.8	2486.6

FIXED INTEREST

PRICE INDICES	Mon May 11	Day's change %	Fri May 8	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (27)	122.49	+0.09	122.39	1.88	4.62
2 5-15 years (25)	138.24	+0.08	138.14	1.95	5.45
3 Over 15 years (9)	149.92	+0.07	149.82	2.86	3.39
4 Irredeemables (6)	163.75	+0.36	163.15	0.42	6.11
5 All stocks (67)	135.84	+0.08	135.73	2.04	5.04
Index-Linked					
6 Up to 5 years (2)	171.01	....	171.00	0.43	1.83
7 Over 5 years (9)	149.14	+0.01	149.13	0.87	1.64
8 All stocks (11)	151.00	+0.01	150.99	0.80	1.65
9 Debs & Loans (62)	119.52	+0.29	119.58	1.93	4.67

AVERAGE GROSS REDEMPTION YIELDS		Mon May 11	Fri May 8	Year ago (approx.)
British Government				
1 Low	5 years	8.22	8.25	9.25
2 Coupons	15 years	9.04	9.05	9.74
3 (0%-7¾%)	20 years	9.04	9.05	9.86
4 Medium	5 years	9.22	9.24	10.28
5 Coupons	15 years	9.07	9.08	10.15
6 (8%-10¾%)	20 years	9.05	9.06	10.07
7 High	5 years	9.44	9.46	10.42
8 Coupons	15 years	9.19	9.20	10.35
9 (11%-)	20 years	9.15	9.16	10.33
10 Irredeemables	†	9.24	9.27	10.03
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.80	3.80	3.77
12 Inflation rate 5%	Over 5 yrs.	4.40	4.40	4.11
13 Inflation rate 10%	Up to 5 yrs.	3.14	3.13	2.95
14 Inflation rate 10%	Over 5 yrs.	4.23	4.22	3.94
15 Debs &	5 years	10.58	10.59	11.88
16 Loans	15 years	10.42	10.45	11.63
17	25 years	10.32	10.35	11.42

‡Opening index 2731.3; 9 am 2730.5; 10 am 2735.8; 11 am 2743.9; Noon 2737.5; 1 pm 2736.5; 2 pm 2735.1; 2.30 pm 2735.4; 3 pm 2733.8; 4.10 pm 2736.4; (a) 10.44am (b) 8.56am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on 12.05.92: Pool purchase price £/MWh	Final Prices for Trading on 14.05.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.21	16.73	16.73
0100	17.18	16.76	16.76
0130	17.24	16.85	16.85
0200	26.33	16.91	16.91
0230	26.33	16.86	16.86
0300	17.31	16.91	16.91
0330	17.31	16.86	16.86
0400	17.33	16.85	16.85
0430	17.23	16.81	16.81
0500	17.21	16.81	16.81
0530	17.21	16.77	16.77
0600	17.24	16.79	16.79
0630	17.22	16.85	16.85
0700	20.41	16.91	16.91
0730	22.50	18.79	20.03
0800	23.09	26.42	28.15
0830	30.74	25.04	26.63
0900	30.78	27.61	29.57
0930	30.76	27.41	29.31
1000	27.94	27.32	29.19
1030	25.61	27.12	28.94
1100	25.62	24.89	26.58
1130	25.63	24.86	26.69
1200	25.63	24.90	26.59
1230	25.61	24.51	26.09
1300	25.25	23.91	25.34
1330	23.90	19.83	21.05
1400	23.88	19.73	20.92
1430	23.88	19.71	20.89
1500	23.55	19.72	20.91
1530	23.55	19.74	20.94
1600	23.58	19.82	21.03
1630	26.53	31.80	33.13
1700	26.54	31.74	33.29
1730	26.53	31.66	33.20
1800	26.51	31.46	32.97
1830	23.41	19.26	20.43
1900	23.41	18.91	20.07
1930	23.41	18.91	20.08
2000	20.94	17.94	17.94
2030	20.94	18.91	20.07
2100	26.49	22.62	23.88
2130	26.49	22.62	23.88
2200	26.49	22.40	23.66
2230	26.49	18.63	19.79
2300	20.42	17.07	17.07
2330	19.96	16.85	16.85
2400	17.28	16.81	16.81

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 High	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs	36¾xd	+⅛	[illegible]	34	15,628	1.8
♥Allegheny & W	250p	-12	335p	226p	134.1	6.5
Amdahl	985p	—	1150p	815p	1,093	0.6
Amer Cyanamid	34	—	37	32¼	3,114	2.7
Amer Express	12[illegible]xd	-⅛	[illegible]	10[illegible]	5,784	4.7
Amer T & T	24⅞xd	-[illegible]	[illegible]	20¼	32,219	3.0
Ameritech	35	+⅛	38[illegible]	32½	15,324	5.7
BankAmerica	25⅞xd	+¼	[illegible]	19[illegible]	9,048	2.8
Bankers NY	39[illegible]xd	—	37¼	28⅞	2,755	8.2
Bell Atlantic	24¼	+⅛	[illegible]	23¼	10,403	6.0
BellSouth	27	—	[illegible]	[illegible]	[illegible]	5.8
♥Bethlehem Steel	8⅛xd	+[illegible]	9⅝	7	639.7	—
Bowater	1292pxd	+2	1579p	1076p	464.1	5.2
CPC h	23¼xc	+[illegible]	28⅝	22¼	3,520	2.9
California Engy	715p	+1	830p	546p	138.2	—
Campbell Soup	19⅛	+⅛	[illegible]	[illegible]	4,576	2.3
Chase Manhattan	[illegible]	+[illegible]	[illegible]	9⅛	2,311	4.1
Chrysler	10[illegible]xd	—	11⅛	8¼	3,050	3.2
Citicorp	[illegible]	—	[illegible]	5⅛	[illegible]	—
Colgate-Palm	33[illegible]xd	+⅛	[illegible]	25¼	4,405	2.1
Cont'l Bank	[illegible]	—	1030p	490p	945.9	3.6
Dana	29[illegible]xd	+[illegible]	24½	14[illegible]	908.7	[illegible]
Data General	518p	-10	1004p	487p	140.7	
Dial	19[illegible]xd	+[illegible]	24⅛	18⅞	785.3	3.2
Dun & Brad	29½	—	33½	28⅞	6,284	4.4
Eaton	43¾	+⅝	46½	[illegible]	1,498	2.8
Echlin	9⅜xd	-⅛	11	7⅛	544.5	4.0
FPL	19⅝xd	+⅛	20	18⅛	3,347	6.8
Fluor	24⅝xd	+⅛	27	21	1,998	0.9
Ford Motor	[illegible]	—	[illegible]	15	12,180	2.2
Gen Elect	[illegible]	+[illegible]	48¼	40[illegible]	37,319	2.7
♥General Host	475p	+10	535p	360p	—	4.2
Gillette	27[illegible]	+[illegible]	29⅞	26⅜	5,972	1.5

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+or -	1992 high	1992 low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.		96½	—	107	69½	12.5	—	—
Cap		39	+1	42	12½	—	61.2	39.5
Stepped Pf	†	137½	+½	137½	126	8.1	—	—
Zero Div Pf		181	—	182	166½	—	—	—
Warrants		6½	+½	9	3½	—	—	—
Scot Value	s	61½	—	61½	46	2.7	64.3	4.8
Sec Alliance	†	1288	+5	1288	1138	3.8	1365.0	8.2
Second Market	s	241	—	241	222	8.8	283.8	15.1
Spc Tst Scot		74xd	+1	76	63	5.9	76.1	2.1
Select Assets		100	—	102½	98	1.2	132.7	24.5
Eq Ind Ser1		121	—	121	109	4.7	—	—
Eq Ind Ser2		121	—	121	109	4.7	—	—
Shires	†	247	+3	247	195	9.8	248.9	0.8
11pc Cv Ln '03/04		£115½	+3	£115½	295½	9.5	—	—
Siem Select		86	-1	91	86	1.5	91.2	4.6
Warrants		18	-1	21	17	—	—	—
Smaller Cos.		84	+1	86	67	4.8	88.8	7.8
Warrants		19	+1	19	10	—	—	—
Sphere Inc.	N	15½	—	28	14¾	25.1	25.9	25.0
Zero Div Pf		73¾	—	73¾	65¾	—	—	—
Warrants		0¾	—	2½	0¾	—	—	—
Stratton		185	—	185	147	1.5	191.4	13.9
Sumit		43	—	52	38	3.8	109.4	60.7
TR City of Lon.	M	124	+1	124	97½	5.1	123.2	0.7
TR Euro Growth	s	87	—	89	63	1.5	99.8	12.8
Pfg Sab.	s	59	—	54	50	2.7	—	—
TR Far East Inc.	M	95xd	+1	95	76	6.2	101.5	6.8
Warrants		21	—	22	12	—	—	—

MERCHANT BANKS

	Notes	Price	+or -	1992 high
Ausbacher (H)		29	—	33
Gadngs 8pc Cn 2nd Pf.		95½	+½	96½
9¾pc Non-Cum Pf.		117¼	+1	117¼
Brown Shipley		128	+1	204
Close Bros.	†	251	—	257
Hambros	†	285	+2	285
7½pc Cv Pf.		117	+1	119
Joseph (L)		330	—	333
Kleinwort Benson		286	+6	292
Rea Bros.		37	+1	37
Schroders		1290	+15	1298
N/V		1085	+10	1085
Singer & Fried.		45	—	49
Warburg (SG)	†	684	+6	685
8pc Cv Pf.		282	+2	284
Wintrust		228	+2	235

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

... excludes a special payment. † Indicated dividend yield, p/e ratio based on latest annual earnings. ♯ Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other ... W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F

Abbey Unit Tst Mngrs (1000)H

Aberforth Unit Trust Managers Ltd (1600)F

Abtrust Unit Trust Managers Ltd (1200)H

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE:

OFFER PRICE:

BID PRICE:

CANCELLATION PRICE:

TIME:

HISTORIC PRICING:

FORWARD PRICING:

SCHEME PARTICULARS AND REPORTS:

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	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ¥	5	280.7	280.7	298.8	+1.5	0.75
(Accum Units) ¥	5	330.4	330.4	352.7	+1.5	0.75
British	5	876.4	879.8	945.6	+11.9	5.28
(Accum Units)	5	1469.7	1498.9	1595.8	+20.0	5.28
European	5	339.4	339.4	360.0	+0.1	1.43
(Accum Units)	5	367.9	367.9	390.2	+0.1	1.43
Japan	5	93.10	93.10	99.13	-1.69	-
(Accum Units)	5	93.84	93.84	99.92	-1.69	-
New Pacific	5	205.2	205.2	219.4	+1.6	1.60
(Accum Units)	5	210.7	210.7	225.3	+1.6	1.60
PEP May 6	5	160.4	162.2	171.6	-	3.57
Mngd Equity	5	133.0	134.4	142.2	+1.2	2.70
Mngd Equity Acc	5	141.1	142.6	150.9	+1.3	2.70
Mngd Cash	0	96.13	96.13	96.13	+0.02	9.97
(Accum Units)	0	120.7	120.7	120.7	-	9.97
Majority Stlg	1	100.22	100.22	101.22	+0.05	9.83
Majority Stlg Acc	1	111.14	111.14	112.25	+0.05	9.83
Stewart Ivory Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International May 13	0	49.99	49.99	50.48d	-	2.72
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232323						
Equity	6	657.5	657.5	703.2	-6.0	2.67
North America	6	83.62	83.62	89.43	+0.22	0.46
Far East	6	87.40	87.40	93.50	+0.78	0.78
W'wide Bond	6	46.97	46.97xd	49.97	+0.26	6.33
European	6	69.58	69.58	74.42	+0.28	1.43
Equity Income	6	73.67	73.67	78.79	+0.91	5.07
Portfolio	6	60.47	60.47xd	64.67	+0.41	2.73
Broker Trusts						
Worldwide Growth	6	47.00	47.00	50.00d	-	2.25
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingstoke, Basingstoke, Hants 0800 525725						
American Growth	6	26.77	26.77	28.64	+0.21	0.36
Managed Assets	6	107.92	108.19	115.72	+0.95	3.27
UK Income	6	33.91	34.30	36.69	+0.44	4.32
UK Growth	6	33.98	34.32	36.71	+0.49	3.47
Worldwide Growth	6	24.32	24.32	26.02	+0.20	1.72
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						
Admin & Enq: 071-606 4044 Dealing: 071-606 6010						
Master Portfolio	5¼	34.83	34.83xd	37.25	+0.23	2.57
Amer Growth Acc	5¼	44.22	44.22	47.26	+0.30	0.16
Cap Protector Acc	5¼	38.18	38.91xd	41.62	+0.49	3.98
Cap Protector Inc	5¼	33.15	33.78xd	36.13	+0.42	3.98
Euro Growth Acc	5¼	58.85	58.85	62.70	+0.08	0.85

	Bid Price	Offer Price	+ or -	Yield Gr's
M & G Securities Ltd				
Charifund May 8	104 xd		-0.1	10.33
(Accum Units)	649.0		+0.3	10.33
NAACIF May 5	41.35xd		-	9.3
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † May 5	137.8	147.6	-	1.83
UK Small Co † Apr 30	130.7	139.5	-	1.40
Fixed Interest † Apr 30	109.3	115.0	-	8.69
US Small Co May 5	161.4	172.6	-	0.00
Managed May 5	113.8	121.6	-	3.51
Intl Bond May 5	118.7	125.2	-	10.25
Japan May 5	59.02	62.94	-	4.66
European May 5	91.74	98.28	-	1.72
Sth American May 5	117.2	126.0	-	1.26
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Exmt May 11	55.64	57.87	+0.44	1.87
Euro Exmt May 11	54.27	56.99	+0.20	2.31
Fixed Int Ex May 6	48.43	49.84	-	8.72
Japan Exmt May 11	37.04	38.53	+0.41	0.23
Managed Ex May 7	47.50	49.41xd	-	4.13
SE Asia Exmt May 11	81.90	86.00xd	+1.37	2.40
Sm Cos Exmt May 6	37.44	39.32xd	-	3.26
UK Eqty Ex May 6	46.05	48.36	-	3.46
Phillips & Drew Fund Management Ltd				
Small Co's May 7	712.80	759.15xd	-	4.27
Do Accum	832.15	886.26	-	4.27
Intl Exmt May 7	190.20	194.36xd	-	1.90
UK Index May 7	1294.79	1368.51xd	-	4.62
Do Accum	1396.89	1408.08	-	4.62
Convertible May 11	100.32	103.99xd	+2.25	7.81
World ex UK Index May 5	742.23	750.86	-	2.21
Do Accum	742.23	750.86	-	2.21
Japan Index May 5	429.13	435.69	-	0.89
Do Accum	430.83	437.42	-	0.89
USA Index May 5	1064.29	1071.35	-	3.00
Do Accum	1109.38	1116.77	-	3.00
Europe ex UK Index May 5	924.7	929.73	-	3.17
Do Accum	932.28	946.88	-	3.17
Pacific ex Japan Index May 5	1106.47	1124.62	-	3.98
Do Accum	1274.5	1286.01	-	3.98
Managed Exempt May 7	213.63	215.82	-	3.36
American Exempt May 7	139.35	141.92xd	-	3.06
European Exempt May 7	120.71	127.14xd	-	3.17
Japan Exempt Apr 30	92.97	95.69xd	-	0.53
Pacific Basin May 7	166.75	171.14xd	-	2.68

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Asset Global Funds Ltd (1200)				
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097				
European Equity	14.345	15.37	+0.10	-
Sterling Cash Inc	0.9816	1.0307		-
CMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625599				
UK	£- 1.0938	1.1649		-
USA	£- 1.0638	1.1360		-
Japan	£- 0.4686	0.4946		-
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd	96.53	101.60		10.2
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 627610				
Intl Grth	500.1	536.0	+3.5	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 92 Athol St Douglas IoM 0624 661020				
L.J. Intnl Gold	97.17	104.4		-
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662256				
Merc IoM Fund	107.5	114.7	+0.40	4.6
Merc Intl Bond	50.10	52.68		8.4
Sun Life Management (IoM) Ltd				
PO Box 178, Douglas, IoM 0624 672444				
Unibank Scandinavian Fund Ltd				
23 Bucks Road, Douglas, IoM				1.0

ISLE OF MAN (REGULATED)(**)

ATC Fund Management (SIB) Ltd

Citibank (CI) Ltd "Citifunds"						
Short term Investment Funds						
Irish £ May 7		117.589				-
Equity Funds						
Japan Equity May 7		$7.317				-
US Em Hlth May 11		$22.878				-
US Em Tech May 12		$20.136				-
Chicago May 11		$35.104				-
EBC Trust Company (Jersey) Ltd						
Income		$15.15	15.625	-0.040		2.75
Capital		$23.58	24.297	-0.083		9.50
Fidelity Investment (CI) Ltd						
Sterling American		£2.490	2.621			-
Fleming Group						
Deutschland Inv Co NAV		DM16.66				-
Foreign & Colonial Mngt (Jersey) Ltd						
US$ Cash		$10.67		-0.01		-
Multicurrency Cash		$16.41				-
Sterling Cash		£11.82				-
US$ Bonds		$14.73		+0.04		-
Multicurrency Bonds		$19.50		-0.03		-
Sterling Bonds		£15.28		+0.02		-
D Mark Bonds		DM10.56		-0.01		-
Ecu Bonds		Ecu11.72		-0.01		-
UK Equities		£21.10		+0.09		-
US Equities		$26.50		-0.10		-
Japanese Equities		Y638		+0.06		-
Global Equities		$10.52				-
John Govett Management (Jersey) Ltd						

JERSEY (SIB RECOGNISED)

GUERNSEY

IRELAND (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar fails to sustain gains

THE DOLLAR was unable to sustain the gains that it made last Friday on the foreign exchange markets, in spite of underlying uncertainty about the German economy and thin trading in Japanese yen, *writes James Blitz.*

In London, the US unit drifted to the bottom of a half-pfennig range in late trade, after spending a day in a market devoid of energy or direction. The dollar ended at DM1.6405, after a previous close of DM1.6475. By midday in New York, it was dropping back towards DM1.6350; it ended there at DM1.6383. The US currency declined narrowly against the yen in London to finish at Y133.15, from Y133.35. It eased further in New York to a closing Y133.

Much of the market's uncertainty is still due to the 6-point differential between US interest rates and German short-term rates. Fears that the Federal Reserve will cut its Fed Funds rate could be allayed when real economy numbers for inflation, retail sales and money supply appear later this week. Mr Paul Chertkow, chief currency strategist at Citibank in London, commented: "If the numbers for retail sales are good, that could be a catalyst to buy dollars."

In spite of its dollar gain, the D-Mark did less well against its fellow-European currencies, amid persistent worries about Germany's troublesome wage negotiations. A particular concern is that the powerful IG Metall union, which represents 4m metal and engineering workers, said at the weekend that it is looking for a 1992 pay rise of at least 6 per cent.

The markets also appear to have been unsettled by comments at the weekend from Mr Helmut Schlesinger, the Bundesbank president, who said that the 5.4 per cent wage increase agreed by the main unions and the government last week would lead to price rises and complicate the conduct of monetary policy.

One winner against the D-Mark was the French franc, which closed at an 18-month high of FFr3.3626, compared with last Friday's FFr3.3630.

According to Mr Mark Austin, chief economist at Hong-Kong and Shanghai Banking in London, the market remains impressed at how the French authorities engineered last week's reduction in bank base rates by increasing bank liquidity. "There is a realisation that the French have done a clever thing to get base rates down without lowering the intervention rate," he said, "so that there is no cost to franc investors."

Two currencies lost ground to the D-Mark, however. One was sterling, which closed ¼ pfennig down at DM2.9425. The other was the Swiss franc, which traded above 93 centimes to the D-Mark for the first time since 1980. Traders believe that the Swiss currency is weighed down by a wide interest rate differential in favour of the D-Mark.

£ IN NEW YORK

May 11	Close	Previous Close
£ Spot	1.7942-1.7952	1.7900-1.7910
1 month	1.03-1.01pm	0.96-0.95pm
3 months	2.76-2.73pm	2.75-2.72pm
12 months	8.90-8.80pm	9.08-8.98pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 11	Previous
8.30 am	93.0	93.0
9.00 am	93.0	93.0
10.00 am	92.9	93.0
11.00 am	92.9	93.0
Noon	92.9	93.0
1.00 pm	92.9	93.0
2.00 pm	92.8	93.0
3.00 pm	92.8	92.9
4.00 pm	92.9	92.9

CURRENCY MOVEMENTS

May 11	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.9	-19.4
U.S. Dollar	64.6	-13.5
Canadian Dollar	99.4	-8.2
Austrian Schilling	110.0	+12.3
Belgian Franc	111.2	-8.1
Danish Krone	108.9	+3.1
D-Mark	118.4	+24.8
Swiss Franc	103.3	+11.4
Dutch Guilder	114.2	+16.1
French Franc	104.5	-11.9
Lira	98.5	-20.2
Yen	138.0	+71.6
Peseta	108.0	-18.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for May 8

CURRENCY RATES

May 11	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.766112	0.698092
U.S. Dollar	3.50	1.38130	1.25147
Canadian $	6.97	1.65728	1.50639
Austrian Sch	7.50	15.8684	14.4657
Belgian Franc	8.50	46.3392	42.3091
Danish Krone	9.50	8.70426	7.95247
D-Mark	8.00	2.25414	2.05554
Dutch Guilder	8.50	2.53610	2.31359
[illegible]	[illegible]	[illegible]	[illegible]

* Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for May 8

OTHER CURRENCIES

May 11	£	$
[illegible]	[illegible]	[illegible]
Hong Kong	13.8460 - 13.8590	7.7415 - 7.7435
Iran	2580.00*	1440.00*
Korea(Sth)	1388.65 - 1411.05	778.10 - 787.30
Kuwait	0.52650 - 0.52750	0.29430 - 0.29460
Luxembourg	60.55 - 60.65	33.75 - 33.85
Malaysia	4.5340 - 4.5456	2.5355 - 2.5375
Mexico	5401.55 - 5413.55	3107.00 - 3109.00
N Zealand	3.3510 - 3.3545	1.8725 - 1.8745
Saudi Ar	6.6780 - 6.7550	3.7495 - 3.7505
Singapore	2.9440 - 2.9510	1.6485 - 1.6505
S Af (Cm)	5.1285 - 5.1405	2.8715 - 2.8730
S Af (Fn)	6.0665 - 6.1710	3.3900 - 3.4485
Taiwan	44.55 - 44.75	24.90 - 25.00
U.A.E.	6.5390 - 6.6160	3.6715 - 3.6735

*Floating rate Iran Official rate £118.50 $66.30

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 11	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	171.201	-4.22	5.87	69
Spanish Peseta	133.631	128.605	-3.76	5.37	65
Belgian Franc	42.4032	42.3091	-0.22	1.63	16
Dutch Guilder	2.31643	2.31359	-0.12	1.53	11
D-Mark	2.05586	2.05554	-0.02	1.43	7
Sterling	0.696904	0.698092	0.17	1.24	-5
French Franc	6.89509	6.91062	0.23	1.18	-7
Irish Punt	0.767417	0.769236	0.24	1.17	-6
Italian Lira	1538.24	1547.76	0.62	0.79	-26
Danish Krone	7.84195	7.95247	1.41	0.00	-60

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7890 - 1.7940	1.7930 - 1.7940	0.96-0.95cpm	6.39	2.76-2.74pm	6.13
Canada	2.1565 - 2.1630	2.1600 - 2.1610	0.73-0.69cpm	3.94	1.95-1.88pm	3.55
Netherlands	3.3050 - 3.3150	3.3050 - 3.3150	¼-⅛cpm	0.68	½-¼pm	0.45
Belgium	60.35 - 60.65	60.55 - 60.65	7-2cpm	0.89	11-6pm	0.56
Denmark	11.3725 - 11.3950	11.3800 - 11.3900	½-⅛oredis	-0.40	½-1dis	-0.26
Ireland	1.0990 - 1.1030	1.1020 - 1.1030	0.02dis-0.01pm	-0.05	0.06-parpm	0.11
Germany	2.9375 - 2.9500	2.9400 - 2.9450	⅛-parpfpm	0.25	¼-⅛pm	0.25
Portugal	244.40 - 245.50	244.40 - 245.40	94-115cdis	-5.12	204-243dis	-3.65
Spain	183.00 - 184.10	183.50 - 183.80	37-42cdis	-2.75	97-109dis	-2.24
Italy	2211.50 - 2216.25	2214.50 - 2215.50	3-5lire dis	-2.17	10-12dis	-1.99
Norway	11.4875 - 11.5200	11.4925 - 11.5025	⅛-⅞oredis	-0.52	par-1¼dis	-0.22
France	9.8850 - 9.9100	9.8850 - 9.8950	⅛-parcpm	0.15	⅛-⅛pm	0.13
Sweden	10.5900 - 10.6125	10.5950 - 10.6050	⅞-1⅞oredis	-1.27	3½-4⅛dis	-1.59
Japan	238.00 - 239.25	238.25 - 239.25	1¼-1⅛ypm	5.97	3¼-3⅛pm	5.34
Austria	20.65 - 20.74	20.69 - 20.72	1⅛-⅞gropm	0.40	3-½pm	0.34
Switzerland	2.7300 - 2.7450	2.7350 - 2.7450	⅜-¼cpm	1.37	1-⅞pm	1.28
Ecu	1.4295 - 1.4340	1.4310 - 1.4320	par-0.05cdis	-0.21	0.03-0.12dis	-0.21

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.20-5.15pm. 12 Month 8.97-8.87pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7890 - 1.7940	1.7930 - 1.7940	0.96-0.95cpm	6.39	2.76-2.74pm	6.13
Ireland†	1.6250 - 1.6275	1.6265 - 1.6275	0.94-0.91cpm	6.82	2.54-2.47pm	6.16
Canada	1.2025 - 1.2065	1.2055 - 1.2065	0.27-0.30cdis	-2.84	0.77-0.81dis	-2.62
Netherlands	1.8425 - 1.8530	1.8455 - 1.8465	0.89-0.92cdis	-5.88	2.64-2.69dis	-5.77
Belgium	33.70 - 33.90	33.75 - 33.85	15.00-17.00cdis	-5.68	46.00-50.00dis	-5.68
Denmark	6.3450 - 6.3675	6.3450 - 6.3500	3.20-3.50oredis	-6.33	9.60-10.20dis	-6.24
Germany	1.6390 - 1.6465	1.6400 - 1.6410	0.89-0.90pfdis	-6.55	2.46-2.48dis	-6.02
Portugal	136.55 - 137.15	136.65 - 136.75	135-142cdis	-12.16	335-350dis	-10.02
Spain	102.50 - 103.00	102.50 - 102.60	79-81cdis	-9.36	217-222dis	-8.56
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

May 11	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 5¾-5⅝ per cent; three years 6⅛-6⅛ per cent; four years 6⅝-6½ per cent; five years 7⅛-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May 11	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.	Pta	Ecu
£	1	1.793	2.942	238.7	9.890	2.740	3.310	2215	2.160	60.60	183.6	1.431
$	0.558	1	1.641	133.1	5.516	1.528	1.846	1235	1.205	33.80	102.4	0.798
DM	0.340	0.609	1	81.14	3.362	0.931	1.125	752.9	0.734	20.60	62.41	0.486
YEN	4.189	7.512	12.33	1000.	41.43	11.48	13.87	9279	9.049	253.9	769.2	5.995
F Fr.	1.011	1.813	2.975	241.4	10.	2.770	3.347	2240	2.184	61.27	185.6	1.447
S Fr.	0.365	0.654	1.074	87.12	3.609	1	1.208	808.4	0.788	22.12	67.01	0.522
H Fl.	0.302	0.542	0.889	72.11	2.988	0.828	1	669.2	0.653	18.31	55.47	0.432
Lira	0.451	0.809	1.328	107.8	4.465	1.237	1.494	1000.	0.975	27.36	82.89	0.646
C $	0.463	0.830	1.362	110.5	4.579	1.269	1.532	1025	1	28.06	85.00	0.663
B Fr.	1.650	2.959	4.855	393.9	16.32	4.521	5.462	3655	3.564	100.	303.0	2.361
Pta	0.545	0.977	1.602	130.0	5.387	1.492	1.803	1206	1.176	33.01	100.	0.779
Ecu	0.699	1.253	2.056	166.8	6.911	1.915	2.313	1548	1.509	42.35	128.3	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
106	2.55	2.86	-	0.01	0.13	0.33
107	1.58	-	-	0.02	0.29	0.57
108	0.65	1.33	1.78	0.10	0.55	-
109	0.12	0.79	-	0.56	-	-
110	0.02	0.45	0.85	-	-	-
111	-	0.20	-	-	-	-
Open int.	129,458	47,627	10,220	98,760	30,390	9,923

Estimated volume 51,923 Total Open Interest 326,378

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7935	1.7840	1.7660	1.7418	1.7043

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10.5
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10	First National Bank Plc.	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Royal Bk of Scotland	10
Bank of India	10	Girobank	10	● Smith & Williamson Secs.	10
Bank of Scotland	10	● Guinness Mahon	10	Standard Chartered	10
Banque Belge Ltd	10.5	● Hambros Bank	10	TSB	10
Barclays Bank	10	Hampshire Trust Plc	13.5	Unibank plc	10
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
Brit Bk of Mid East	10	● Hill Samuel	10	Unity Trust Bank Plc	10
● Brown Shipley	10	C. Hoare & Co.	10	Western Trust	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Westpac Bank Corp.	10.5
Citibank NA	10	Julian Hodge Bank	10	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

MONEY MARKETS

Speculation ignored

IN SPITE of recent speculation in several national newspapers about the possibility of further base rate cuts, the sterling money markets continue to take the view that another cut is unlikely to be engineered by the Bank of England before the summer is over.

It was not just that rates in nearly all markets were unchanged yesterday. A far more striking indication of the market's negative mood was that trading for the September sterling contract was much more active than the one for June. Dealers say this indicates a particularly downbeat view on rate cuts: there are still six weeks to go before the June contract expires, and the fact that futures traders are now focusing on September suggests that they expect little change in rates for a while.

Analysts say the market's view on the prospects for base rate movements has been mostly accurate in the last 18 months. The money markets have accurately predicted six out of the eight cuts that have been engineered by the Bank of England in that time. Only in two cases have they guessed wrong: when they scotched all thought of a half-point cut last September and when they thought that there would be a cut before the April general election. So those who are confident about a rate cut should take note that rates in the interbank market changed little yesterday. Three-month money, a key indicator of future rate movements, was unchanged at 10¼ per cent. No less important was the fact that the yield curve was flat at 10¼ from one week right out to five months. Only after six months does the cost of money ease by 1/16 of a percentage point.

Futures trading in sterling was slow, with the June and September contracts moving in narrow ranges. September sterling ended at 90.30, suggesting that base rates in five months' time will be at 9.70 per cent.

In the discount market, the Bank of England forecast a shortage in the morning of £1.05bn. The Bank bought £303m of Band-1 bills at 9⅞ per cent and £400m for resale to the market on June 1 at 9 15/16 per cent. After the shortage was revised to £1.1bn, the Bank purchased £30m of Band-1 bills at 9⅞ per cent. In the afternoon, the shortage was revised to £1.2bn. After providing late assistance, the Bank's total help for the day was £923m.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. May 11) 3 months US dollars		6 months US Dollars	
bid 3 13/16	offer 3 15/16	bid 4	offer 4⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4 pm					
Prime rate	6½	One month	3.49	Three year	5.82
Broker loan rate	6	Two month	3.64	Five year	6.69
Fed.funds	3 13/16	Three month	3.72	Seven year	7.06
Fed.funds at intervention	-	Six month	3.86	10-year	7.40
		One year	4.16	30-year	7.90
		Two year	5.22		

May 11	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.60-9.70	9.70-9.80	9.70-9.80	9.70-9.80	9.70-9.80	9.75
Paris	9 13/16-9 15/16	9 13/16-9 15/16	9⅞-10	9⅞-10	9⅞-10	9.60
Zurich	7⅞-8⅛	8⅝-8⅞	-	[illegible]	-	-
Amsterdam	9.31-9.38	9.47-9.54	-	9.48-9.55	-	-
Tokyo	4 11/16-4 13/16	4 11/16-4 13/16	-	4 11/16-4 13/16	-	-
Milan	12¼-12½	12⅝-12⅞	-	12⅝-12 13/16	-	-
Brussels	9⅞-9⅞	9⅞-9⅞	-	9½-9⅝	-	-
Dublin	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	-

LONDON MONEY RATES

May 11	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10½	10	10 5/16	10⅜	10⅜	10 5/16
Interbank Bid	9½	9⅞	10 3/16	10	10	9 15/16
Sterling CDs	-	-	10 3/16	10 3/16	9 15/16	9 15/16
Local Authority Deps.	9 15/16	10 1/16	10 3/16	10 3/16	10⅛	10⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	9 15/16	9⅞	-	-	-	-
Company Deposits	-	-	10⅜	10⅜	10 5/16	10⅜
Finance House Deposits	-	-	10⅜	10⅜	10 5/16	10 5/16
Treasury Bills (Buy)	-	-	9 15/16	9⅞	9 13/16	-
Bank Bills (Buy)	-	-	9 15/16	9 15/16	9 13/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.70	3.78	3.92	4.37
SDR Linked Dep. Offer	-	-	6½	6½	6⅝	6⅞
SDR Linked Dep. Bid	-	-	6⅛	6⅛	6⅜	6½
ECU Linked Dep. Offer	-	-	10 5/16	10 5/16	10 5/16	10⅛
ECU Linked Dep. Bid	-	-	10 3/16	10 3/16	10 3/16	10

Treasury Bills (sell): one-month 9 13/16 per cent; three months 9⅞ per cent; six months 9 13/16 per cent; Bank Bills (sell): one-month 9 13/16 per cent; three months 9½ per cent; Treasury Bills: Average tender rate of discount 9.3907 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1992. Agreed rates for period May 26, 1992 to June 25, 1992, Scheme I: 11.75 p.c., Schemes II & III: 11.93 p.c. Reference rate for period April 1, 1992 to April 30, 1992, Scheme IV&V: 10.685 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from May 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent.

LEGAL NOTICES

The Insolvency Act 1986.
SOUTH WALES PLASTICS (1989) LIMITED (IN RECEIVERSHIP)

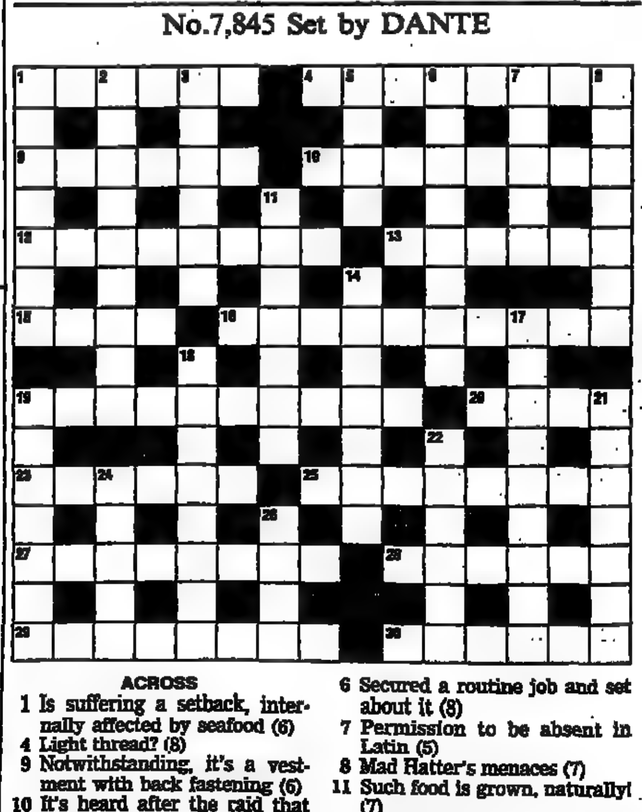
NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at Cork Gully, 9 Greyfriars Road, Reading, Berks. RG1 1JG on 22 May 1992 at 11.30am for the purposes mentioned in Sections 99 to 101 of the said Act. A list of the names and addresses of the company's creditors may be inspected free of charge at 9 Greyfriars Road, Reading, Berkshire on the last two business days prior to the meeting. Creditors wishing to vote at the meeting must (unless they are individual creditors attending in person) lodge their proxys at 9 Greyfriars Road, Reading, Berkshire no later than 12.00 noon on 21 May 1992.
Dated this 5 May 1992.
By Order of the Board, J M Fuller Director.
Attested by J M Iredale F.C.A.

Notice of Appointment of Joint Administrative Receivers.
CHANTRY AT SAFFRON WALDEN LIMITED
Registered number: 1700000
Nature of business: Motor vehicle trader.
Trade classification: 19. Date of appointment of joint administrative receivers: 30 April 1992. Name of person appointing the joint administrative receivers: Lloyds Bank plc
Robin Michael Addy and Jonathan Michael Gleeson Joint Administrative Receivers
(Office holder nos 1031 and 4805)
Cork Gully, Mount Pleasant House, Huntingdon Road, Cambridge, CB3 0BL

TOUCHBELL LIMITED
T/A PORKERS' PRIDE
NOTICE IS HEREBY GIVEN, pursuant to section 98 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at: 43 Temple Row, Birmingham, B2 5JT on Wednesday 20 May 1992 at 11.30am for the purposes mentioned in sections 99 to 101 of the said Act. A list of the names and addresses of the company's creditors may be inspected free of charge at: 43 Temple Row, Birmingham, B2 5JT on Monday 18 May 1992 and Tuesday 19 May 1992.
Dated: 30 April 1992.
By order of the Board. R Roberts Director

CROSSWORD

No.7,845 Set by DANTE



ACROSS

1 Is suffering a setback, internally affected by seafood (6)
4 Light thread? (8)
9 Notwithstanding, it's a vestment with back fastening (6)
10 It's heard after the raid that nobody is found guilty (3,5)
12 Everybody present and of sound mind (3,5)
13 Left one with a Shakespearian part (6)
15 Advanced season? (4)
16 Glasses or beer-mats need changing (10)
19 Precious little company inside for the prematurely forward (10)
20 Third power block (4)
23 The boy most likely to succeed? (6)
25 A small deposit secures! (8)
27 An outrage otherwise concealed with ill-will (8)
28 The sun on one is a comfort (6)
29 Allow real change in a better system (8)
30 Notice the opening in time (6)

DOWN

1 Didn't miss a thing about east coast defence (3,4)
2 You may get a ride in it, by accident (9)
3 A sorry state, but showing promise (6)
5 Vain and lazy (4)
6 Secured a routine job and set about it (8)
7 Permission to be absent in Latin (5)
8 Mad Hatter's menaces (7)
11 Such food is grown, naturally! (7)
14 Start of theatre in the round, a building (7)
17 Edit a clue, perhaps, to make it clear (9)
18 He pays to study the total figure with hesitation (8)
19 Contemporary award (7)
21 Fire – or part of one (7)
22 Short-lived supporter (6)
24 Funny to see a number walk like sailors (5)
26 Let it be one sort of square in another (4)

Solution to Puzzle No.7,844

```
 POSTER  SPREAD
 E H S    L L E
ANDANTE REPEATS
 C V A I A C E
DETERMINED TURN
   K I T    O G
 MASON EXPORTER
 I   E N R    H
ASSORTED EVENT
 C P    A S N
TRAP CONTENDERS
 E O L T R O A
MANSION OVERACT
 N E V    E S E
 TARGET ASSESS
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WORLD STOCK MARKETS

AUSTRIA

FRANCE (continued)

GERMANY (continued)

NETHERLANDS

SWEDEN (continued)

BELGIUM/LUXEMBOURG

SWITZERLAND

DENMARK

NORWAY

SPAIN

FINLAND

ITALY

SOUTH AFRICA

GERMANY

FRANCE

SWEDEN

JAPAN

AUSTRALIA (continued)

HONG KONG

AUSTRALIA

MALAYSIA

SINGAPORE

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (u) Unavailable. (x) Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

4:00 pm prices May 11

MONTREAL

4:00 pm prices May 11

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

MONTREAL Portfolio	1795.29	1763.88	1755.35	1755.54	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

Euro Top-100 (26/6/90)	971.92	970.51	964.41	962.41	971.92 (11/5)	870.31 (2/1)

**Saturday May 9: Taiwan Weighted Price: 4428.97, Korea Comp Ex. 594.62.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable. † Correction.

TOKYO – Most Active Stocks

Monday 11 May 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Okamoto Inds	10.0m	1,380	+10	Toshiba Corp	4.3m	582	
Morinaga Milk	6.6m	647	+7	Jpn Storage Batt	4.0m	1,050	+20
TEAC	6.2m	1,170	+100	Nomura Sec	3.8m	1,440	+40
Meiji Milk Prod	5.8m	944	+54	Kurabo Ind	3.8m	582	+48
Jpn Int & Chem	5.3m	786	+109	Nippon Zeon	3.7m	664	+41

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4:00 pm prices May 11

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¼	AAR Corp x	0.48	3.4	16	308	13⅞	13¼	13⅞	+⅛
26	20⅝	A L Labs A	0.18	0.8	76	107	23	22⅞	23	-⅛
68¼	56	AMP Inc x	1.62	2.4	25	1780	63½	62⅞	63⅛	+1⅛
80¼	64¼	AMR				1801388	69¼	68½	68¾	+¼
2⅛	1½	ARX			2	40	1⅞	1¼	1¼	-⅛
53½	40¼	ASA	2.00	4.7	12	393	43¼	42¼	42½	-½
68⅞	55¼	Abbott Lab	1.20	1.8	25	3551	67	65⅞	67⅛	+1¼
13⅞	12	Abitibi Pr	0.42	3.5	8	67	12⅛	d12	12⅛	
11⅝	10⅛	ACM Gvt In x	0.96	8.9		193	10¾	10⅝	10¾	+⅛
10⅛	9⅛	ACM GvOpp x	0.80	8.4		148	9½	9⅜	9½	+⅛
9½	8½	ACM Gvt Sp x	0.80	9.0		793	8⅞	8¾	8⅞	+⅛
11¼	10⅛	ACM Gvt Se	0.96	8.9		1001	10¾	10⅝	10¾	+¼
9⅞	8⅝	ACM Man x	0.95	10.1		1140	u9½	9¼	9⅜	+⅛
12⅞	10⅝	ACM Managd x	1.08	9.6		148	11⅜	11¼	11¼	-⅛
11⅝	7	Acme Cleve x	0.40	6.0	29	294	7	d6½	6⅝	-⅛
8¼	4½	Acme Elect			4	12	6⅝	6⅛	6⅛	-⅛
33¼	18⅞	Acuson			14	1270	23	22½	22¾	+½
19½	16⅛	Adams Expr	0.48	2.5	0	113	18⅞	18¾	18⅞	+¼
15½	13	Adobe12P1	2.40	16.0		28	15	14⅞	15	+¼
5¼	4½	Adobe Res			2	104	5⅛	5	5⅛	+⅛
49⅛	39	Ad Micro	3.00	6.7		55	45	43⅝	44⅝	+⅜
21½	14⅝	Ad Micro P	3.00	16.6	74	739	18⅛	17⅝	18⅛	+¼
9¼	5	Advest Grp	0.10	2.3	60	187	7	6⅞	6⅞	
[illegible]										

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27¼	20¼	Bowater	1.20	5.2	[illegible]	[illegible]	23⅛	22⅞	23	-⅛
23⅝	14⅝	Brazil Fnd				1465	21⅛	20⅞	21⅛	+½
31⅞	28⅞	BRE Prop	2.40	7.8	15	88	30⅞	30⅝	30⅞	+⅛
54¼	41¾	Briggs & S	1.60	3.2	14	368	49¼	48⅝	49¼	+⅞
41¼	32½	Brinkerint			[illegible]	212	35⅝	35	35⅛	-⅜
80⅛	71⅞	Bristol M	2.76	3.6	[illegible]	[illegible]	76⅝	75⅛	75⅝	+⅝
52⅞	39½	Brit Airwy	1.73	3.4	27	737	51½	51⅛	51½	+1⅛
49½	40⅜	Brit Gas x	2.60	5.7	11	320	45½	45	45½	-1¼
66⅝	50⅜	BP ADR	3.99	7.0	32	4113	56⅝	55⅛	[illegible]	+1½
31⅞	27⅞	BP Prudhoe	2.48	8.3	9	232	[illegible]	29⅞	29⅞	
1⅞	⅜	BP Wts93				662	[illegible]	d[illegible]	[illegible]	[illegible]
15⅛	11⅛	Brit Steel	1.70	11.2	8	479	[illegible]	15	15⅛	+⅛
63⅞	53⅞	Brit Tel	2.72	4.3	10	455	63⅛	62⅞	62⅞	-⅜
21	15⅝	Broad Inc	0.20	1.2	11	232	16½	16¼	16⅜	
[illegible]	[illegible]	BrknHPId	2.47	9.1		3	27½	27½	27	-½
30⅛	26	Brooklyn U	1.94	6.6	11	86	29⅝	29½	29½	
90	72	BrwnFormnB	2.44	3.2	14	23	76	75⅝	76	+⅛
38⅛	23⅛	Brown Grp	1.60	6.5	22	60	24½	24	24½	+⅝
10½	8⅛	Brown&Shrp	0.32	4.0	44	5	[illegible]	d8	8	-⅛
24⅞	20⅛	Browning F	0.68	3.3	17	4680	20⅝	20⅜	[illegible]	-¼
3⅞	2	BRT			1	17	2½	2¼	[illegible]	+⅛
17⅞	13⅝	Brunswick	0.44	2.6	56	23418	[illegible]	16½	16⅞	-⅛
19	12⅜	Brush Well	0.20	1.2	9	435	[illegible]	16½	16½	-½
[illegible]										

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
41¾	29¾	StJoePaper	0.20	0.5	41	33	38	37¾	37¾	-¼
34¾	30¼	StJoeLP x	1.72	5.7	12	18	30½	d30¼	30⅜	
75¾	69½	St Paul's	2.72	3.8	7	91	71	70⅝	70⅝	
8¾	2⅞	Salant Crp			1	107	6⅞	6¼	6¼	
75¼	65½	Sallie Mae	1.00	1.6	17	2072	84½	82	83⅞	+1¼
14¾	13	Salomon Br x	0.80	4.4		450	13⅞	13¾	13¾	
33¾	26⅛	SalomonInc	0.64	2.0	8	3902	32½	31¼	31¾	-⅛
45½	42⅞	SnDgo G&E	2.56	5.4	12	261	45½	44⅝	45⅛	+⅜
3⅝	2⅛	SantaFeEDu	0.40	14.5	15	118	3	2⅞	2⅞	-⅛
9¼	7	SantaFeERs	0.16	1.8	21	51821	8⅝	8½	8⅝	+⅛
36⅜	30¾	SantaFePac	2.80	8.2	10	87	34¼	34	34¼	+⅛
14⅛	11	SantaFeStr			21	4715	13⅛	12½	13¼	+⅛
57	46⅞	Sara Lee	1.00	2.1	18	3048	48⅛	47⅝	47⅞	+⅛
9½	1⅜	Savin			0	84	2	2	2	
3⅛	⅞	Savin 0.90	0.90	90.0		10	1	1	1	
44⅛	38⅞	Scana Corp	2.88	6.6	12	190	40⅞	40¼	40⅝	+⅛
47⅞	40¼	Scecorp	2.72	6.2	13	1103	44⅛	43⅝	43⅞	+⅛
68	51¼	SchergPl x	1.36	2.5	17	3429	54½	53¾	54½	+½
68⅝	52⅞	Schl'berger	1.20	1.8	18	3259	66⅝	65	65½	-⅜
37¼	26½	Schwab(C) x	0.24	0.8	16	1340	28⅞	28	28½	+⅞
10½	8¼	Schwitzer			48	137	9⅞	9¼	9⅞	+⅛
19¾	15½	SciAtlAdn	0.16	0.9	128	4145	18½	17¾	18½	+1⅛
9⅝	7⅛	Scotman	0.10	1.0	14	385	u10	9⅝	10	+⅜
48	34½	ScottPaper	0.80	1.8	27	308	44⅞	44⅛	44⅝	
16½	13⅞	ScuddrNAsF	0.18	1.1		59	16⅛	16⅛	16⅛	+⅛
9¼	8⅝	ScuddrNEuF	0.30	3.3		276	9⅛	8⅞	9⅛	+⅛
24	16	Sea Cont x	0.70	4.0	8	420	17⅞	17⅛	17⅞	-⅛
15¼	14⅞	SeaC1.4625	1.46	9.5		6	15⅜	15⅜	15⅜	+⅛
125½	109⅛	Seagram Co	2.00	1.6	15	441	120⅛	119½	120⅛	+1½
27½	21⅝	Seagull En			542	232	27⅛	26⅝	27⅛	+⅛
56⅞	44⅞	Sealed Air			29	14	51⅞	51⅛	51⅞	+⅛
19½	12⅛	SPX Corp	0.40	2.1	85	687	19	18⅝	18⅞	+⅛
48	37	Sears Roeb	2.00	4.6	12	6475	43⅞	43⅛	43⅝	+1⅛
12½	11⅞	Seligm Sel	0.84	6.6		206	u12½	12⅜	12⅜	
31¼	24¾	Sensormat	0.30	1.0	29	500	30¾	29¾	30⅜	+⅞
51	37¼	Sequa A	0.80	1.4	35	95	44¼	43½	44¼	
58	45⅛	Sequa B	0.60	0.9	29	15	55	54½	55	
27⅛	23½	ServiceCpI	0.58	2.1	17	1760	28⅛	26¾	28⅛	+⅞
27¾	22	Servicemr	1.48	5.9	15	244	25⅝	24⅝	25¼	+⅛
28⅞	17	Shaw Ind x	0.30	1.1	36	969	27⅜	26¾	26½	-⅞
18¼	8⅞	Shawmut Nt	1.00	5.9	60	2173	u17⅛	16⅝	16⅞	+⅛
10¼	8⅞	Shelby Wil x	0.24	2.8	35	9	8⅝	8½	8⅝	
56¾	45⅝	Shell Tr&T	2.50	4.8	12	249	52⅜	51½	52⅛	+1
30⅛	25⅛	Sherwin Wil	0.44	1.6	19	437	28⅛	28½	28⅛	+⅛
27¾	21⅛	Shoneys			22	658	23⅞	23	23⅛	
14⅞	8¼	Showboat	0.10	0.7	28	104	14⅞	14⅛	14⅛	-⅛
24⅛	22	Sierra Pac	1.84	7.9	14	612	23⅝	23⅛	23¼	
24⅛	17½	SignetApp			2	54	19⅛	19	19⅛	-½
36⅛	21¼	Signet Bak x	0.80	2.3	92	660	35⅞	34¼	35¼	+⅞
29⅛	14⅛	SiliconGr			22	1905	18⅛	17⅞	18½	+⅛
12	10⅛	Sizeler	1.00	9.1	21	33	11⅛	11	11	
15⅛	11⅞	Sizzler	0.16	1.3	17	352	12½	12¼	12⅞	
18⅞	15½	Skyline	0.48	2.9	36	46	16⅞	16⅛	16⅞	+⅛
4½	3½	SL Inds	0.11	2.8	2	6	4	3⅞	3⅞	-⅛
9⅞	8¼	SmithCorp	0.20	2.2	14	149	9	8⅞	8⅞	-⅛
9¼	6⅛	Smith Intl			52	1663	9⅛	8⅞	9	
88	70½	SmithBchm x	1.66	2.0	17	46	80	79⅞	79⅞	
80½	60⅞	SmithB Eq x	1.84	2.7		773	72	71⅞	72	+⅛
43¼	33⅛	Snap Fd x	0.44	1.2	21	241	36¼	36	36	
39	24½	Snyder J	0.42	1.4	25	69	29½	29	29⅛	-⅛
40	32¼	SnapOnTls	1.08	3.1	19	1040	35	34⅞	35	+⅛
7¼	5⅞	Snyder Oil	0.20	2.8	19	59	7⅛	7⅛	7⅛	-⅛
28½	18⅝	Solectron				1143	25⅞	d25⅛	25¼	+⅛
⅞	⅛	Soltron D			0	20	⅜	⅜	⅜	+⅛
37⅛	29⅞	Sonat Inc	2.00	5.6	21	367	36⅜	35⅞	35⅞	-⅛
38	28⅞	Sony ADR	0.37	1.1	16	189	33⅞	33⅛	33⅝	-⅛
19⅝	10⅛	Sotheby's	0.60	4.1	59	285	15	14⅞	14⅞	-⅛
49½	43	Source Cap	3.60	7.7		13	u46⅞	46½	46½	+⅛
36¼	32½	SouthCar3%	2.60	7.2		z100	34½	34½	34½	
21½	19½	StnJerseInd	1.44	6.9	13	123	21⅛	20⅞	20⅞	-⅛
16	12⅛	Southdown	0.60	3.9	5	60	12⅞	12⅛	12⅞	-⅛
16½	13	SthNeCp	0.48	3.0	11	154	16⅛	16	16⅛	-⅛
34⅛	30⅞	Southn Co x	2.20	6.8	11	1070	33⅛	33	33⅛	
33¼	23⅛	SouthwGE	1.86	5.0	13	154	31⅝	31⅛	31¼	-⅛
36⅞	28⅞	SouthnNET	1.76	5.4	13	386	33	32⅝	32⅞	-⅛
44¼	32⅞	SouthWAirl	0.10	0.2	30	2780	u44½	43	44⅛	+1⅛
19½	10½	SouthWGas x	0.70	5.4	16	298	13	12⅞	12⅞	-⅛

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¼	65½	Xerox	3.00	4.1	18	1716	73	71¼	72⅞	+⅜
53½	50½	Xerox4.125				z100	52½	52⅛	52	-½
25⅛	24⅞	Xtra 1.94	1.94	7.2		224	27⅛	26¼	26⅞	-⅛
37	25½	Xtra Corp	0.80	2.4	12	27	33⅞	33¼	33⅞	+⅛
27	25¼	Yankee Egy	1.50	6.0	12	22	25⅞	25½	25⅞	
1½	⅜	Zapata			31	207	1⅛	1⅛	1⅛	
11⅛	6⅛	ZenithElec			41	683	8⅛	8	8⅛	+⅛
17¼	14⅛	Zenith Nat	1.00	5.6	7	454	u18⅛	17⅞	17⅞	+⅛
7	6	Zenix Inc	0.88	12.1		351	u7⅛	7	7	+⅛
13¼	11⅛	Zero Corp x	0.40	3.5	17	88	11⅝	d11½	11½	-⅛
38	32⅛	Zurn Ind	0.88	2.7	14	73	33	32¾	33	+⅛
14⅛	12⅛	Zweig Fund	1.16	9.1		170	12⅞	d12⅛	12⅞	-⅛
11	9⅞	Zweig Totl	1.00	9.7		848	10⅛	10⅛	10⅛	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices May 11

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Action Cpr		0	4	8¼	8⅛	8⅛	
Air Expr	0.16	13	74	26⅞	26⅛	26⅞	-⅛
Alfin Inc		2	160	1⅛	1⅛	1⅛	
Alpha Ind		159	86	3⅛	3⅛	3⅛	
Alza Cp A		58	2718	45⅞	46⅛	46⅛	+⅛
Am Ir Fa x	0.80	14	19	50⅛	49⅞	49⅞	-1
AmIsrlPa x	0.48	11	18	22	22	22	
Am Sciptar	1.84	5	160	6½	6⅞	6⅛	+⅛
Amdahl Cp	0.10	88	[illegible]	[illegible]	17⅞	18	+⅛
Am Expl		4	1368	2⅛	2⅛	2⅛	
Amsel-AmA		281	60	4⅛	4⅛	4⅛	
Astrotech		24	49	9⅛	9⅛	9⅛	-⅛
Atari		4	173	2⅛	1⅞	2	-⅛
AtlasCM B		1	29	⅞	⅞	⅞	
Audiovx A		2	185	u3⅞	3⅛	3⅞	
B&H Ocean	1.15	11	87	7⅛	7⅛	7⅛	
Baldwin A	0.04	17	180	4⅛	d4⅛	4⅛	-⅛
Barry RG		47	15	6⅛	6	6⅛	+⅛
BAT Ind	0.81	27	665	14⅛	14⅛	14⅛	+⅛
Beard Oil		0	31	1⅛	1⅛	1⅛	
Bergen Br x	0.40	18	1426	21⅞	21½	21⅞	-⅛
Blair Man	1.00	195	2	22½	d22½	22½	
Bio-Rad A		18	82	20	20	20	+⅛
Blount A	0.46	16	10	u8⅞	8⅞	8⅞	-⅛
Bolar Ph		3	185	9⅛	8⅞	9⅛	
Bow Valley		3	55	9⅛	8⅞	9⅛	-⅛
Bowmar		17	41	2⅛	2	2⅛	
Bowne	[illegible]	[illegible]	[illegible]	16¾	16	16½	-⅛
Brascn A t	1.04	38	71	14	13½	14	+⅛
BSN Corp	[illegible]	[illegible]	[illegible]	8⅛	7⅞	7⅞	
Cal Engy		17	287	12⅞	12⅞	12⅞	-⅛
Calprop		0	z700	2⅛	2⅛	2⅛	
Carnvl A	0.52	14	2546	22⅞	22⅛	22½	
Car Marc	0.24	13	6	13⅞	13⅛	13⅞	-⅛
Chmbrs A		9	7002	8⅛	7⅞	8⅛	+⅛
Chambers		11	291	8⅛	8⅛	8⅛	+⅛
Champion		54	21	4⅞	4⅞	4⅞	
Chiles		0	26	1⅛	1⅛	1⅛	
Cmf FdA	0.01		91	8⅛	8⅛	8⅛	-⅛
Cominco	0.44	34	19	17⅛	16⅞	17⅛	+⅛
Computrac		5	13	1⅛	1⅛	1⅛	-⅛
Concd FbA		137	5	4⅛	4⅛	4⅛	
Corona A	0.10	445	232	4⅛	4⅛	4⅛	
CrestT A x	1.28	20	38	28⅛	28	28⅛	-⅛
Crwn CA A	0.40	35	5	22⅛	[illegible]	22⅛	+⅛
Crwn CB B	0.40	18	67	21⅛	21	21⅛	+⅛
Cubic	0.63	11	17	19⅛	19	19⅛	+⅛
Customedix		6	37	2⅛	2	2	-⅛
CypresFd	0.36		42	8⅛	8⅛	8⅛	
Dl Inds		59	116	⅜	⅜	⅜	-⅛
Decorator		5	20	4⅛	4	4⅛	
Duplex	0.40	26	7	13½	13⅛	13½	
DWG Corp		15	660	9⅛	9⅛	9⅛	
Easth Co	0.48	10	z100	13⅛	13⅛	13⅛	
Eastgroup	1.76	5	4	13⅛	13⅛	13⅛	
Echo Bay	0.07	598	1369	6⅛	6	6	-⅛
Ecol En A x	0.82	10	38	14⅛	d14⅛	14⅛	-⅛
Edisto		0	211	⅜	⅜	⅜	
Engy Serv		7	1019	1⅛	1⅛	1⅛	
Fab Inds	0.80	11	91	31⅛	30⅞	30⅞	-⅛
Fina Inc A	3.20	59	19	71⅛	71	71	
FstCityBnc	0.10	10	21	7⅛	7⅛	7⅛	+⅛
Fluke (J)	0.48	54	116	32	31⅞	32	-⅛
Forest La		29	746	35⅞	33⅛	33⅞	
Frequency		7	21	4⅛	4⅛	4⅛	
Fr ofLoom		16	2746	35⅞	35⅛	35⅛	+⅛
FstAusl	1.08		153	u9⅞	9⅞	9⅞	+⅛
Giant Fd A	0.68	14	245	21	20⅞	21	+⅛
Glatfltr	1.40	17	4	56⅛	55	56⅛	+⅛
Goldfield		2	147	⅜	⅜	⅜	-⅛
Greenman		7	10	5⅛	5⅛	5⅛	
Gulf Cda	0.54	13	274	8⅞	8⅞	8⅞	-⅛
Hasbro x	0.20	27	4111	28⅛	28⅛	28	+⅛
Health Ch		45	25	2⅞	2⅞	2⅞	+⅛
[illegible]		100	17	3	3	3	
Heico Cp	0.15	12	11	13½	13½	13½	-⅛
HMRandal		2	225	2⅛	d2⅛	2⅛	-⅛
Horn&Hdt		0	45	2	1⅞	2	+⅛
Hovnanian		102	77	11⅛	11⅛	11⅛	-⅛
ICH Corp		35	657	4	3⅞	3⅞	
InstSysPf	0.25		111	6⅛	6⅛	6⅛	-⅛
Intermark		0	8	⅜	⅜	⅜	+⅛
IntTelmp		0	70	⅜	⅜	⅜	+⅛
Jan Bell		40	302	14⅛	14⅛	14⅛	-⅛
Kinark Cp		5	2	6⅛	6⅛	6⅛	
[illegible]		25	2711	15	14⅞	15	+⅛
[illegible]			16	⅜	⅜	⅜	
Laburge		24	41	2	2	2	+⅛
[illegible]		145	39	4⅛	4⅛	4⅛	
Lee Pharm		1	47	1⅛	1⅛	1⅛	+⅛
Lionel Cp		0	48	⅜	⅜	⅜	+⅛
[illegible]		15	316	14⅛	13⅞	14	-⅛
Lynch Cp		17	5	19⅛	19⅛	19⅛	
MagnaCall		7	878	6	5⅞	5⅞	
[illegible]		15	48	15	14⅞	15	+⅛
Maxxam		10	54	37	36⅛	36⅞	
Media A	0.44	7	60	17⅛	17⅛	17⅛	+⅛
Mem Co	[illegible]		2	7⅛	7⅛	7⅛	
Michl En	0.40	17	285	19⅛	19⅛	19⅛	-⅛
Moog A		38	19	8⅛	8⅛	8⅛	-⅛
MSR Expl		1	5	⅜	⅜	⅜	-⅛
Nabors		12	960	6⅛	5⅞	6	
Nat Ptnt		3	275	4⅛	4⅛	4⅛	-⅛
New Line		20	16	14⅛	14⅛	14⅛	
NY TimesA	0.56	38	986	30½	29⅞	29⅞	+½
NthCanOil	0.15	42	10	9⅛	9⅛	9⅛	
Numac O&G		2	17	4⅛	d4⅛	4⅛	-⅛
NV Ryan		0	122	⅜	⅜	⅜	+⅛
Odetics A		36	45	5½	5⅛	5½	-⅛
Olsten x	0.24	31	167	31⅛	31⅛	31⅛	+⅛
OMI Corp	0.14	7	76	6⅛	6½	6⅛	
Pall Corp	0.36	27	888	26¼	26½	26½	-¼
Pegasus G	0.10	31	287	12¼	12	12	-⅛
Perini		51	30	14⅛	14	14	-⅛
Pet H&P	0.31	13	5	u12⅞	12⅝	12⅝	+¼
Phil LD	0.25	15	1580	37¼	36	37¼	+1⅛
Pittway A	0.70	17	11	32	31½	32	+½
Ply Gem	0.12	38	543	u14¼	13⅞	14¼	+⅜
PMC	0.64	17	18	10⅛	10⅛	10⅛	
PresdlA x	0.10	0	66	2⅛	d2	2	
Price Com		0	60	⅜	⅜	⅜	+⅛
RB&W Cp		2	10	4⅛	4⅛	4⅛	
RiedelEnv		5	5	3	2⅞	3	
SJW Corp x	1.96	9	7	u34½	33⅛	34½	+⅛
[illegible]		56	32	14⅛	14⅛	14⅛	+⅛
Stevl El		12	179	4½	3⅞	3⅞	-⅛
TII Ind		1	62	1⅛	1⅛	1⅛	-⅛
Tab Prods	0.40	12	14	10⅛	d10	10⅛	+⅛
Tel&Data	0.32	69	282	35⅞	35⅛	35⅛	
Thermedics		116	135	8⅛	8⅛	8⅛	
[illegible]		23	17	22⅞	22⅞	22⅞	+⅛
Total Pet	0.40	19	131	7⅞	7⅛	7⅞	+⅛
TownCntry		0	66	2	2	2	
Tubos Mex		1	256	6⅞	6⅛	6⅞	+⅛
UtdFoodsA		4	21	1⅛	1⅛	1⅛	
UtdFoodsB		7	27	2⅛	2⅛	2⅛	+⅛
UnivPtnts		78	32	12	11⅞	11⅞	-⅛
US Cellul		34	31	21⅞	21⅛	21½	-⅛
Viragen		37	43	18⅛	18⅛	18⅛	+⅛
WangLb C		1	5	6⅛	6⅛	6⅛	+⅛
WangLab B		1	2682	4	3⅞	3⅞	
Weatherfd		18	136	5	4⅞	5	+⅛
Westamer	0.52	9	12	21⅛	21⅛	21⅛	-⅛
WIRET	1.20	15	50	13⅞	13⅛	13⅛	
Worthen		8	20	21	20⅞	20⅞	-⅛
Xytronyx		16	6	12⅞	12⅛	12⅛	+⅛

NASDAQ NATIONAL MARKET

4:00 pm prices May 11

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
A&W Brands	0.44	22	759	35⅛	33⅛	35½	+2
ACC Corp	0.16	79	6	16⅞	16	16	-⅛
Acclaim E		118	225	7⅞	7⅛	7⅛	-⅛
AcmeSteel		74	11	15½	14⅞	15	+⅛
Action Cp		29	z100	16	15½	15½	
Adaptec		76	3642	19⅛	18⅞	19	
ADC Tele		30	1644	33	31⅞	32¼	+⅛
Addington		18	159	7⅞	d7⅛	7⅛	-⅛
Adia Serv	0.16	21	2	15⅛	14⅞	14⅞	+⅛
Adobe Sys	0.32	20	4315	47¼	46	46⅞	
ADT Ar 1	0.32	4	7680	9⅛	8⅞	8⅞	
Advance C		10	142	9⅞	9⅛	9¼	+⅛
Adv Logic		8	159	7¼	6⅞	7	-⅛
Adv Polym		28	474	11⅞	11½	11⅞	-⅛
Adv Tele		14	338	17	16⅛	16⅛	
Advanta	0.16	6	558	19	18⅛	18⅛	-⅛
Advo Sys		18	175	19⅛	18⅞	19	
Affiliate		0	504	⅜	d⅜	⅜	
Affymax		20	191	19	17⅛	18⅛	-⅛
Agency Re		15	51	10⅛	10⅛	10⅛	-⅛
AgnicoEa	0.07	1	528	3⅞	3⅞	3⅞	
Aico ADR	1.42	11	388	44⅛	43⅞	43⅞	-⅛
Aldus Cp		14	1384	22	20⅛	21	-1
Alex Bald x	0.88	12	384	26	25⅛	25⅞	-⅛
Allegh &W		55	242	5	4½	4⅛	-⅛
Allen Org	0.48	13	z100	33½	31⅞	31½	
Allen Pti		14	1358	20½	19½	19⅞	-⅛
AlldCapII	1.00		184	21	20⅛	20⅛	
Alld Cap	0.60	2	140	17½	17	17½	+½
Aloette C	0.32	10	6	9	8½	9	-⅛
Alta Gold		2	171	1⅛	1	1	
Altera Cp		21	1835	20⅛	19⅞	20⅛	+⅛
Am Bankr	0.60	7	441	18⅛	18	18⅛	+⅛
Am Cty Bu		36	z100	19⅛	18⅛	18⅛	
Am Mang		19	380	24	23	23⅞	+⅛
Am Med E		22	980	13½	12½	12⅞	+⅛
Am Softwe	0.28	14	1711	13½	13	13⅛	-⅛
Am Greetl	0.78	14	1620	41½	41	41⅛	
Amer Intn		4	785	3	d2⅞	2⅞	-⅛
AmerintPet		32	1319	3⅛	3⅛	3⅛	-⅛
Am Natl I	1.86	5	7	40	39	39⅞	+⅛
Amer Pwe		34	3598	27⅛	25½	26⅞	+1
Am Trav		8	145	10⅛	10⅛	10½	
Am WstAir		0	2142	⅜	⅜	2⅞	
Am FilmT		8	251	3⅞	3⅞	3⅞	+⅛
Am Telev		37	2924	u60⅞	60⅛	60⅞	+⅛
Amgen Inc		38	9975	54⅞	52⅞	53⅞	-1½
Amtech Cp		72	1580	22⅛	[illegible]	[illegible]	-⅛
AmvestFin		3	32	2½	d2⅜	2⅜	
Analogic		14	51	12	11⅞	12	+⅛
Analysts	0.56	15	7	18⅛	17⅞	17⅞	
AncoplAm	0.86	8	61	12⅞	12½	12⅞	-⅛
Andrew Cp		11	638	26⅛	25⅛	25⅞	+⅛
Andros An		32	367	16⅛	15⅞	16	
Apogee En x	0.26	19	56	12	11½	11½	-½
APP Bio		43	278	17	16⅛	16⅞	+⅛
Appld Mat		22	3024	19½	17½	18⅛	-⅜
Apple Comp	0.48	16	[illegible]	[illegible]	61½	62¼	+⅛
Applebees	0.06	33	1216	22	20⅛	21¼	-⅛
Appld Bio		53	279	14⅛	14	14	
Appld Pwr	0.12	23	12	18	17½	17½	
Arbor Dr	0.14	21	318	20⅛	19⅛	20⅛	+⅛
Archive		2	1606	6⅞	6	6⅛	+⅛
Arctco	0.24	15	20	13⅞	13⅞	13⅞	
Argonaut x	0.84	8	191	27⅛	26	26⅛	-⅛
ArkansasF	0.20	34	1350	23	22⅛	23	
Armor Al	0.48	26	311	16⅛	16	16⅛	+1
Arnold In	0.64	18	11	32	31½	32	+½
ASK Cmpr		32	191	15	14½	14⅞	+⅛
AspectTel		191	7	7⅞	7⅛	7⅛	+⅛
AssocComm		86	36	17⅛	16	16⅛	-⅛
AST Rsch		8	[illegible]	[illegible]	18	18⅛	-⅛
Atkinson		86	9	u8⅛	7⅞	7⅞	-⅛
Atl SEAir	0.48	16	1268	31	29⅛	29⅛	-1⅛
Autodesk	0.48	14	1134	34⅛	33⅛	33½	-1½
Autoinfo		90	11	4⅛	4⅛	4⅛	
Avondale	[illegible]	0	68	2⅛	1⅞	2	
Aztar Cp		27	2116	6⅛	5⅞	6⅛	+⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	1268	27¼	26¼	27¼	
Xoma Corp		10	2086	17½	16¾	17¼	+½
Yellow Fr	0.94	26	931	32¼	31	32	+⅛
York Rsch		51	1973	6⅛	6⅛	6¼	+¼
ZionsUtah	1.44	10	39	52½	51	51½	+½

FINANCIAL TIMES Tuesday May 12 1992

AMERICA

Dow advances to record high in slow trade

Wall Street

US EQUITIES once more reached record levels yesterday, but the power of the advance was somewhat undermined by the lack of participation in one of the slowest trading days of the year, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average advanced 28.17 to 3,397.58, but less than 160m shares changed hands on the big board. Declining issues trailed those advancing by 723 to 1,011.

Gains were less pronounced in the transportation sector, where the Dow Jones Transportation average added only 2.62 at 1,402.28, while the Dow Jones Utilities average eased 0.13 to 213.88.

Among other market indices, the Standard & Poor's 500 was 2.44 higher at 418.49 while the Nasdaq composite put on 1.37 to 587.13.

Wall Street took its opening cue from higher overseas markets in the absence of any domestic market stimulus. Traders will receive a clearer picture of inflation from today's release of April's producer price index and tomorrow's release of the April consumer price index.

Among featured issues, Wal-Mart climbed $1 to $53 in heavy volume on the back of predictably strong first-quarter earnings of 34 cents a share, against 27 cents a year ago from the big discount retailer.

May Department Stores, which also reported first-quarter earnings yesterday, firmed $⅞ to $55⅞.

The company had net income of 60 cents a share in the first three months of this year compared with 56 cents a year earlier.

A number of blue chip stocks moved higher in heavy trading, including IBM, up $⅝ to $93⅝, BankAmerica, $⅝ higher at $48, and Philip Morris, which gained $1 at $79.

General Dynamics added $1¼ to reach $66¼ on news that the company has agreed to sell its missile operations to Hughes Aircraft.

Shares in the big three US auto makers weakened, with Chrysler off $⅛ to $18⅝, Ford down $⅝ to $44⅝ and General Motors $½ lower at $39⅞.

Seagate Technology was one of the most active over-the-counter stocks, firming $⅝ to $16⅝.

Trading was also heavy in MCI Communications, down $⅛ to $32½, Sun Microsystems, $½ higher at $30¼, Lotus Development, off $¾ at $30¾, and Microsoft, down $¼ at $114.

Canada

TORONTO surged 1.6 per cent as pressure on bank shares lifted after the market finally heard some bullish news on Olympia & York. Newspaper reports said the UK government may relocate some of its offices into O & Y's Canary Wharf.

The TSE 300 composite index closed 52.8 up at 3,427.23. Advances led declines by 336 to 219 after volume of 28.03m shares valued at C$357.9m.

Bank shares, pressured over the last two months by fears of heavy losses from exposure to debt-troubled O & Y, gained 81 points or 3.12 per cent as a sector.

Bank of Nova Scotia rose C$1⅛ to C$20⅞, Canadian Imperial firmed C$1⅛ to C$28⅜, Royal Bank gained C$1 to C$24¼ and Bank of Montreal advance C$1 to C$44¼.

SOUTH AFRICA

CONTINUED strength in leading shares sent Johannesburg indices toward their all-time highs. The industrial index closed 29 higher at 4,511 while the overall index was up 23 at 3,627. The gold index was unchanged at 1,075.

EUROPE

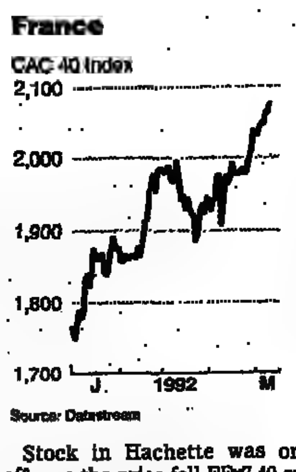
International investors lift Paris and Zurich

ACCLAIM for Paris, second-line speculation in Frankfurt and more new highs in Zurich competed for attention yesterday, *writes Our Markets Staff.*

PARIS continued to rise as international investors took the view that after the UK, France offered the best potential in Europe this year. Several brokers expect the CAC-40 index to reach 2,300 before the end of 1992. The index closed 14.09 higher at 2,077.49, another 1992 high, in good turnover of FFr3bn.

Thursday's base rate cuts failed to sustain financials, as Paribas fell FFr11.90 to FFr435. Suez was the day's most active share, dropping FFr2.80 to FFr343.20.

Schneider rose FFr38 to FFr745 while its subsidiary Merlin-Gerin jumped FFr33 or 6 per cent to FFr582 following a company roadshow. Pernod Ricard, the drinks company, rose FFr47 to FFr1,645 on a UK newspaper article which suggested that Grand Met might make a bid. A big UK buy order pushed Lyonnaise/Dumez up FFr12 to FFr571.



Source: Datastream

Stock in Hachette was on offer as the price fell FFr7.40 or 5 per cent to FFr141. MMB, the holding company which controls Hachette, was suspended pending an announcement.

FRANKFURT stayed quiet, but remarkably stable given high interest rates, strike worries and high money supply growth. The DAX index closed 4.85 higher at 1,753.03 after a 1.30 rise to 707.92 in the FAZ at midsession.

Turnover rose from DM5bn to DM6.5bn. Continental, the tyre company, traded in an above-average DM46m as it fell DM11 to DM260. Weekend stories about a pending Conti rights issue of up to DM200m were revised yesterday: Conti said it wanted to create DM150m of new capital.

However, Mr Hans Peter Wodniok of James Capel in Frankfurt said that while Pirelli SpA had officially pulled out as a bidder for Conti, there had still been speculation on an eventual Pirelli offer.

The prospect of a Conti share issue made this highly unlikely, speculation cooled yesterday and the Conti shares fell; Capel's estimate of the intrinsic worth of the shares is DM200, indicating prospective current year and 1993 p/e's of 33 and 18 respectively.

FT-SE Eurotrack 100 - May 11							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1191.73	1191.78	1191.74	1191.34	1191.98	1192.28	1192.36	1191.63
Day's High 1192.84				Day's Low 1191.28			
May 8	May 7	May 6	May 5	May 1			
1188.95†	1182.52	1182.62	1178.23	1175.00†			

Base value 1000 (26/10/90) † Partial

MILAN was driven lower by Pirelli's bigger-than-expected 1991 loss, announced late on Friday, and by fears that more rights issues were on the way. The Comit index fell through 490, regarded as an important support level, and closed 5.28 lower at 488.05, a new 1992 low. Turnover was estimated between L80bn-L100bn after Friday's L112.7bn.

Pirelli dropped L47 or 3.3 per cent to L1,382 at the official fixing. But the Conti rights issue story pushed the price down to L1,355 after hours on fears that Pirelli would subscribe to its 40 per cent share in order not to dilute its stake, a move it could barely afford.

Generali was also weak, losing L390 or 1.3 per cent to L28,800 despite efforts by Mediobanca to support the price. Ras savings shares, which failed to be fixed on Friday due to a trading imbalance, slumped L2,780 or 21 per cent to L10,480 as the fallout of its badly-timed rights issue continued. Stefanel, which has also announced a rights issue, fell L80 to L3,690.

ZURICH continued to enjoy the rewards of a good blue chip results season, the SMI index rising 14.5 to a new high of 1,963.6 for the year.

The chemical group, Sandoz, and major banks led the gains. Sandoz certificates topping the active list as they rose SFr130 to SFr2,880. Dealers said Sandoz had lagged behind the market and was now catching up with Ciba-Geigy and Roche.

AMSTERDAM's CBS Tendency index advanced 0.3 to 130.4. Unilever and Royal Dutch both attracted strong overseas interest ahead of first quarter results due out later this week, rising Fl 3.20 to Fl 193.20 and Fl 1.20 to Fl 152 respectively.

KLM was active in spite of denying weekend reports that an American airline might take a minority stake in the Dutch carrier. It closed up 90 cents at Fl 40.40, but off the day's high of Fl 40.60 with strong options related trading also noted.

STOCKHOLM was again led higher by Volvo's strength and lower domestic interest rates. The Affärsvärlden General index rose 4.8 to 1,014.5 as turnover eased to SKr677m from SKr853m.

Volvo B unrestricted shares gained SKr6 to SKr451, on continued rumours of an early merger with Renault.

VIENNA eased in low volume. The ATX index lost 1.18 to 970.65. Bank Austria preference shares fell Sch12 to Sch482 while its ordinary shares were unchanged at Sch1,040 after the bank last week invited preference shareholders to convert their shares into ordinaries.

MADRID's general index closed up 4.03 at 259.04 in turnover of Pta22bn. UK institutional buying was seen in blue chips while optimism that there would only be a small rise in Thursday's inflation figures was an added boost.

ASIA PACIFIC

Speculative issues feature as Nikkei continues to rise

Tokyo

THE Nikkei average continued its upward trend yesterday, and active buying of speculative issues by dealers was noted, *writes Emiko Terazono in Tokyo.*

The index finished 232.14 ahead at 18,606.09 after opening at the session's low of 18,407.87 and reaching the day's high of 18,666.70 later in the morning.

Volume contracted from 450m shares to 380m, while advances outnumbered declines by 855 to 166, with 118 issues remaining unchanged. The Topix index of all first section stocks added 13.83 at 1,388.21, but in London the ISE/Nikkei 50 index eased 2.23 to 1,111.89.

Arbitrage-related trading and short-term buying of speculative "theme" stocks by dealers led the activity. Institutional investors remained on the sidelines, while some life insurers were seen taking profits in small lots.

Traders said some investors were buying stocks with favourable earnings prospects for the current fiscal year to March 1993, ahead of the corporate earnings season which is due to start in the next few weeks.

Mr Masami Okuma at UBS Phillips & Drew said: "Trading interest will shift from speculative issues to companies' official forecasts [for the current year] which will be announced with last year's results."

A total of 25 issues attained new highs for the year. Okamoto, the condom maker, and the most active issue of the day, moved up Y10 to Y1,390 on the "bio-technology theme". Morinaga Milk appreciated Y7 to Y847 and Meiji Milk Products jumped Y54 to Y944.

Brokerages gained ground as investors were encouraged by the recent increase in market volume. Nomura Securities moved ahead Y40 to Y1,440 and Daiwa Securities put on Y19 to Y889.

High-technology stocks, which advanced last week on bargain hunting, were mixed, as some institutional investors were seen taking profits. Those to weaken included Hitachi, which ended Y16 down at Y854, and Matsushita, Y30 cheaper at Y1,400.

Sekisui Chemical dropped Y179 to Y921 on reports that it had suffered unrealised losses of Y60bn due to stock investments by one of its subsidiaries.

In Osaka, broad-based buying by foreigners and investment trusts pushed the OSE average up 320.04 to 21,213.74 in volume of 26.1m shares. Shimano, the bicycle parts manufacturer, climbed Y130 to Y1,660 on short-term buying. Ono Pharmaceutical receded Y30 to Y6,350 on profit-taking.

Roundup

THE LOWEST close for six months was recorded by Taiwan, Bangkok saw its biggest single-day gain since February 1991, and Bombay lost 7.5 per cent. Other Pacific Rim markets were mixed yesterday, while Manila was closed for the presidential election.

TAIWAN fell steeply after the central bank raised the rediscount rate at the weekend. The weighted index lost 160.80, or 3.6 per cent, to 4,288.17 in T$17.8bn turnover.

The financial sector led the retreat, followed by paper, machinery, cement, food and textile shares.

BANGKOK improved after opposition groups called off anti-government protests. The SET index rallied 41.81, or 5.70 per cent, to 774.70 in turnover of Bt7.54bn.

Bangkok Bank advanced Bt32 to Bt712 and Bangkok Land put on Bt14 to Bt160.

BOMBAY plunged as rumours of a securities scandal grew. The BSE index lost 237.95 to 3,420.05.

SEOUL declined for the fifth consecutive session. The index gave up 7.10 to 587.52 in turnover of Won326bn. Electronics issues were weaker, with Trigem Computer down Won600 to Won14,000. Dongshin Pharmaceutical rose Won1,000 to Won25,700 on good earnings forecasts.

HONG KONG closed higher after early losses. The Hang Seng index gained 24.15 to 5,632.34 in HK$3.56bn turnover.

Interest was mainly seen in second and third-line stocks, particularly Cheung Kong and Sun Hung Kai Properties after their announcement of joint-venture projects in China. Elsewhere, HSBC Holdings rose 75 cents to HK$4.25.

SINGAPORE fell on profit-taking. The Straits Times Industrial index lost 14.23 to 1,459.54 in turnover of S$90m.

Singapore Press Holdings Foreign and DBS Bank Foreign shed 50 and 40 cents respectively to S$12.90 and S$13.40.

KUALA LUMPUR's composite index slipped 1.74 to 603.97 in turnover of M$67.8m. Resorts World declined 20 cents to M$11.40 and Malayan Banking lost 5 cents to M$8.

AUSTRALIA eased afresh after the government said that it was raising its budget deficit forecast. The All Ordinaries index dipped 1.6 to 1,662.1 in turnover of A$204.8m.

NEW ZEALAND's capital index rose 1.78 to 1,472.34 in turnover of NZ$18.6m.

Global equities take turn for the better

MARKETS IN PERSPECTIVE	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1992	Start of 1992	Start of 1992
Austria	-0.01	-0.21	-20.71	+7.51	+3.77	-0.89
Belgium	+1.08	+3.23	-1.12	+5.93	+2.40	-2.20
Denmark	+3.52	+4.92	-2.85	-3.46	-6.23	-10.44
Finland	+2.69	+8.51	-20.41	+12.21	+9.29	+4.37
France	+1.72	+4.43	+13.21	+16.70	+14.29	+9.17
Germany	+0.79	-0.15	+3.24	+9.98	+6.02	+1.26
Ireland	-0.96	+1.22	-1.84	+3.98	+1.17	-3.37
Italy	-1.64	-0.57	-11.20	+0.14	-2.80	-7.16
Netherlands	-0.78	+2.82	+5.25	+10.47	+6.65	+1.86
Norway	+3.58	+11.88	-10.94	+12.28	+9.05	+4.15
Spain	+2.44	+1.73	-5.97	+3.88	+2.20	-2.35
Sweden	+3.66	+3.75	+5.12	+13.28	+10.84	+5.86
Switzerland	+3.67	+6.23	+17.61	+16.36	+7.96	+3.11
UK	+2.52	+6.68	+8.26	+10.62	+10.62	+5.86
EUROPE	+1.78	+4.29	+5.75	+10.42	+8.29	+3.43
Australia	-0.52	+4.99	+8.11	+0.21	+3.78	-0.86
Hong Kong	+2.04	+13.74	+50.46	+31.19	+38.05	+31.85
Japan	+4.59	+7.31	-23.92	-20.12	-21.63	-25.14
Malaysia	+1.71	+3.59	-3.01	+5.17	+18.67	+13.34
New Zealand	+0.94	+5.89	-9.06	-1.55	-0.56	-5.02
Singapore	+0.34	+8.29	-0.20	-0.15	+2.73	-1.88
Canada	+0.36	-0.16	-4.19	-3.57	-2.69	-7.07
USA	+0.90	+3.05	+10.75	-0.11	+4.59	-0.11
Mexico	-0.11	+1.96	+86.48	+20.16	+23.43	+17.89
South Africa	+4.95	+7.09	+23.47	+6.16	+3.10	-1.63
WORLD INDEX	+2.06	+4.60	-4.03	-3.18	-2.21	-6.60

† Based on May 8th 1992.

By William Cochrane

Global equities took a turn for the better last week, with the FT-Actuaries World Index gaining 2.1 per cent, but there were reservations about the prime component in the equation.

Japan's rise of 4.6 per cent fell marginally short of the week's top performer, South Africa, comparatively unimportant to the World Index structure with an equity market capitalisation only 5 per cent of the Japanese level.

Morgan Stanley, which was not enthusiastic about Japanese equities a month ago, has not changed its opinion. "We are in a holding pattern now," says Mr David Roche, its London strategist, "but we think there will be another leg down."

In spite of domestic arguments based on the fall in price/earnings ratios, Mr Roche thinks Tokyo is still very expensive in p/e terms. He says that what is happening in the domestic economy will have recessionary, if not deflationary, consequences.

In Europe, Switzerland came out fractionally better than Sweden at the top of the table, reporting strong foreign buying of its chemical/pharmaceutical blue chips. However, the Scandinavian countries were impressive en bloc, with a 3.6 per cent gain, or double that of Europe as a whole.

Mr David Longmuir of James Capel says that although Finland made a good start to last week with the removal of its stamp duty, the action was in Norway and Sweden.

Norway was strong across the board, having seen good domestic buying over the past two or three weeks. Support of Norsk Hydro based on aluminium and oil prices was followed by other industrials, and then the shipping sector.

Sweden enjoyed a strong mix of foreign and domestic buying, led by engineering companies seen as cyclical recovery situations. While Norway may be at risk of profit-taking, says Mr Longmuir, demand for Swedish stocks seems far from satisfied.

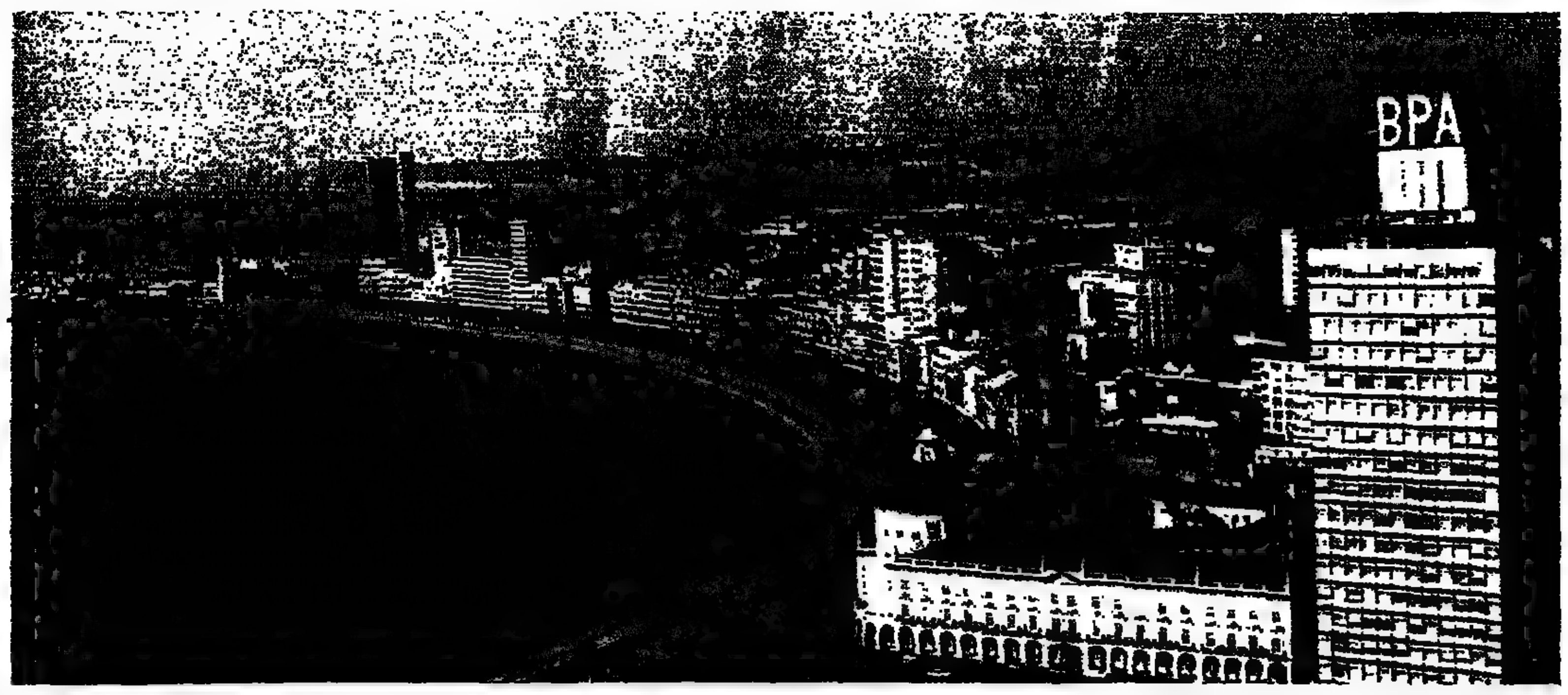
FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 11 1992								FRIDAY MAY 8 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	148.73	-0.5	122.95	125.18	126.85	132.06	-0.2	4.17	149.52	124.05	126.03	128.07	132.31	153.68	140.94	143.74
Austria (19)	165.47	+0.3	136.78	139.27	141.13	141.24	+0.1	2.07	165.05	136.93	139.15	141.37	141.07	186.70	162.48	200.82
Belgium (46)	141.85	+0.5	117.26	119.88	120.98	118.24	+0.3	5.16	141.16	117.12	118.98	120.91	117.84	145.19	135.87	136.68
Canada (115)	127.72	+0.8	105.58	107.49	108.92	111.54	+1.3	3.29	126.66	105.09	106.76	108.48	110.06	142.12	125.60	138.29
Denmark (35)	240.02	+0.3	198.41	202.02	204.71	207.21	+0.0	1.77	239.27	198.51	201.69	204.94	207.22	273.94	226.81	237.76
Finland (15)	81.47	+0.1	67.34	68.57	69.48	76.23	+0.3	1.98	81.43	67.56	68.64	69.75	75.98	89.80	78.64	115.28
France (105)	166.03	+1.1	137.24	139.73	141.59	145.63	+0.6	3.28	164.23	136.25	138.42	140.65	142.72	166.02	148.06	138.86
Germany (65)	119.56	+0.6	98.84	100.64	101.97	101.97	+0.2	2.27	118.81	98.57	100.16	101.76	101.76	122.64	114.67	110.43
Hong Kong (55)	233.62	+0.5	193.12	196.62	199.28	232.22	+0.5	3.52	232.53	192.92	196.00	199.16	231.07	233.62	176.36	154.93
Ireland (16)	162.61	+0.3	134.42	136.87	138.69	140.83	+0.1	3.77	162.18	134.33	136.69	138.90	140.69	173.71	151.78	158.25
Italy (78)	69.22	-1.1	57.22	58.25	59.03	63.84	-1.4	3.61	69.99	58.07	58.99	59.94	64.76	80.86	68.92	77.99
Japan (473)	102.65	+1.0	84.85	86.39	87.56	86.39	+0.8	0.99	101.67	84.35	85.70	87.10	85.70	140.95	88.70	137.94
Malaysia (68)	240.63	-0.9	196.92	202.52	205.22	235.07	-0.4	2.76	242.75	201.40	204.61	207.92	236.06	250.18	212.49	229.64
Mexico (18)	1633.08	-0.4	1349.98	1374.51	1392.85	5549.42	-0.2	1.06	1640.06	1360.68	1382.45	1404.76	5957.88	1789.77	1376.91	963.40
Netherland (25)	157.28	+1.1	130.02	132.38	134.15	132.52	+0.7	4.21	155.52	129.02	131.09	133.21	131.56	158.07	147.88	141.25
New Zealand (14)	44.35	-0.5	36.66	37.33	37.83	44.12	+0.1	5.79	44.62	37.02	37.62	38.22	44.07	48.52	42.01	52.72
Norway (23)	187.39	+0.6	154.90	157.72	159.82	165.03	+0.3	1.66	186.21	154.49	156.97	159.50	162.52	192.95	161.28	208.80
Singapore (38)	213.01	-1.2	176.08	179.28	181.67	161.91	-1.1	2.02	215.56	178.84	181.70	184.63	163.76	228.43	192.76	200.23
South Africa (61)	244.94	-0.1	202.47	206.15	208.90	180.05	+0.6	2.75	245.09	203.34	206.59	209.82	181.82	263.60	203.16	206.88
Spain (50)	156.81	+2.1	130.00	131.14	132.80	121.06	+1.7	6.01	152.68	126.67	128.70	130.77	119.02	160.47	146.66	160.90
Sweden (25)	192.92	+0.6	159.48	162.38	164.55	168.79	+0.3	2.68	191.76	159.10	161.65	164.25	168.34	192.92	173.09	177.36
Switzerland (59)	104.44	+0.9	86.33	87.91	89.09	98.93	+0.9	2.16	103.49	85.86	87.24	88.65	98.10	104.44	95.99	93.54
United Kingdom (228)	197.56	+0.9	163.31	166.26	168.48	163.31	+0.5	4.53	195.82	162.46	165.04	167.71	162.46	197.56	165.05	172.94
USA (522)	170.60	+0.5	141.03	143.60	145.51	170.60	+0.5	2.93	169.70	140.80	143.05	145.36	169.70	171.68	160.92	152.69
Europe (789)	154.00	+0.8	127.30	129.61	131.35	130.30	+0.5	3.77	152.75	126.73	128.76	130.84	129.70	154.00	139.31	139.70
Nordic (98)	180.78	+0.5	149.44	152.16	154.19	151.66	+0.2	2.13	179.94	149.29	151.68	154.13	151.42	188.52	169.68	178.09
Pacific Basin (717)	108.57	+0.8	89.75	91.38	92.60	91.99	+0.7	1.36	107.72	89.37	90.80	92.27	91.36	141.97	94.40	136.41
Euro-Pacific (1506)	126.95	+0.8	104.94	106.84	108.27	107.84	+0.6	2.63	125.94	104.49	106.15	107.87	107.22	145.21	113.80	139.28
North America (637)	167.92	+0.5	138.81	141.35	143.24	166.58	+0.6	2.95	167.01	138.56	140.79	143.07	165.64	169.69	156.70	151.62
Europe Ex. UK (561)	128.28	+0.8	106.04	107.99	109.43	111.31	+0.4	3.18	127.32	105.63	107.34	109.08	110.85	129.79	121.81	119.50
Pacific Ex. Japan (244)	165.91	-0.2	137.07	140.50	142.37	149.37	+0.0	3.64	167.29	138.79	141.03	143.30	149.37	169.44	149.00	142.84
World Ex. US (1700)	129.26	+0.8	106.85	108.80	110.25	110.08	+0.6	2.54	128.28	106.42	108.14	109.88	109.43	146.91	116.45	140.40
World Ex. UK (1994)	137.02	+0.6	113.27	115.33	116.87	125.26	+0.6	2.45	136.14	112.95	114.76	116.62	124.54	150.66	127.21	140.69
World Ex. So. Af. (2161)	141.55	+0.7	117.01	118.15	120.74	128.31	+0.6	2.70	140.59	116.64	118.52	120.43	127.58	153.05	130.04	143.07
World Ex. Japan (1749)	164.41	+0.6	135.91	138.39	140.25	153.16	+0.5	3.26	163.47	135.62	137.80	140.04	152.41	164.41	153.20	147.73
The World Index (2222)	142.23	+0.7	117.57	119.71	121.32	128.80	+0.6	2.70	141.28	117.21	119.09	121.02	128.07	153.70	130.66	143.45

ANGOLA

Angola could play a key part in the development of the southern African region, given peace and the right policies. But the task of rehabilitating an economy shattered by war is enormous, while political divisions may prevent post-election co-operation needed for Angola's recovery. **Michael Holman** reports



Luanda: Marxism has been replaced by a market economy and one-party rule has given way to multi-party elections which are scheduled for late September

IN THIS SURVEY

☐ Editorial production Phil Sanders

A daunting task ahead

AFTER three decades of conflict, Angola has embarked on a *revolution which could* at long last realise the potential of the most richly endowed country in Africa.

Marxism has been replaced by a market economy, one-party rule has given way to multi-party elections scheduled for late September, and two exhausted rival armies have begun to demobilise, paving the way for a single, integrated national defence force.

Unlike many of the African states hit by man-made or natural disasters, Angola can generate, or attract, much of the capital its recovery requires; or as much as its weak administration can efficiently use.

Oil production exceeds 500,000 barrels per day and is rising. Its diamond wealth is *already being exploited*, other mineral and marine resources are barely tapped, there is plentiful fertile land and a relatively small population – 10m people in a country five times the size of Britain.

Given peace and appropriate policies, Angola could play a key part in the development of the southern African region.

That said, the scale of the task is nevertheless daunting. *Most assessments of African* countries which stress potential have to acknowledge a backdrop of disaster. Angola is *no exception.*

Thirty years of conflict, exacerbated by economic mismanagement by an autocratic, avowedly Marxist MPLA government, has left the people exhausted.

Drought has compounded their misery and at least a million Angolans urgently need food aid. Much of the infrastructure is ruined or in disrepair, including the 1,300km Benguela railway.

The exodus of some 350,000 Angolans of Portuguese origin during the chaotic run up to independence in November 1975 was a trauma from which the country has still to recover.

Angola was deprived of the bulk of its skilled personnel – an indictment in itself of *Portugal's colonial legacy.* From the elegant office blocks along Luanda's palm-fringed marginale to factories in Benguela, from grand plantations on the fertile plateau to the network of rural stores, nearly all were abandoned.

Today Angola's cities and towns show some signs of recovery: restaurants and bars reopening, a few buildings being renovated. But, overall, Angola seems a vast African version of a Potemkin village, the eye deceived and reality kept at bay until the observer gets closer.

From a distance, the leafy streets, with their traditional red-tiled houses, and elegant shop fronts seem to have survived the ordeal.

But the houses and flats are often without services, display cases are usually empty, and urchins scrabble through the rubbish.

These are the comparatively fortunate towns. In the south, where fighting was heaviest, some centres are little more than rubble.

It is all part of the incalculable cost of three wars: the struggle for independence and a civil war which grew into a battle between proxies of the super-powers, with invading South African forces supporting Mr Jonas Savimbi's Unita movement and 50,000 Cuban soldiers reinforcing the MPLA government army.

Directly or indirectly, the conflict is reckoned to have *accounted for hundreds of* thousands of Angolan lives. Many fled the countryside to the relative sanctuary of the towns and cities where the densely-packed shanties are as impoverished as any in Africa.

Their flight was a further blow to the agriculture sector, already hard hit by the loss of nearly all of the large-scale commercial farmers. From being the world's fourth-largest *coffee producer, output* plummeted from some 210,000 tonnes in 1973 to a few thousand tonnes. Once self-sufficient, Angola soon had to import food.

Today Angola is virtually a mono-economy, dependent on a quasi autonomous off-shore oil enclave for more than 90 per cent of its export earnings. The country's unofficial market, whether in goods or hard currency, dominates an economy in which corruption is widespread.

To outsiders at least, a post-election coalition seems essential if Angola is to recover from this tragedy. The task of rehabilitating a shattered economy is enormous, and skilled personnel are at a premium.

Yet officials from both main parties appear to rule it out, and the score or more of smaller parties are expected to make little impact in the poll. Opposition to the concept stems not from fear of alienating hard-line supporters, but out of an antipathy hardened by the war, and reflecting ethnic rivalries: Unita draws considerable support from the Ovimbundu, who make up an *estimated 35-40 per cent of* Angola's population, while the MPLA gets strong backing from the Mbundu, about a quarter of the population.

This antipathy is one of the factors that makes many observers uneasy about Angola's chances of clearing the first hurdle on the path to recovery: *completion of the* transition programme.

Some of the concern stems from the belief that Angola has bitten off more than it can chew. Preparations for the elections on September 29-30 are running behind schedule : the director-general of elections has yet to be appointed, for example, while voter registration will not start before late May. In a country with a *derelict infrastructure*, a ineffectual civil service and a far-flung electorate, this may be too late.

The demobilisation process is also in jeopardy. Not only is it making painfully slow progress, but it seems probable that arms are being stockpiled by both sides in secret caches before soldiers enter the assembly camps.

It is now accepted that demo*bilisation will not be complete* by the end of September. The new integrated national army is unlikely to be adequately trained or at full strength. The prospect of Angola going to the polls under these circumstances is potentially disastrous.

It also seems clear that the *UN team, due to total 450 sol*diers and policemen and 400 observers, operating on a budget of about $100m, is understaffed and under-funded. The contrast with the resources available for the UN role in Namibia's transition to independence is striking.

UN officials point out that their duties in Namibia included the organisation of the poll: in Angola this is sup*posed to be the government* responsibility. But it took a 6,500-strong force and a budget of more than $450m to ensure fair elections in Namibia, with a population of one-tenth Angola's, an excellent transport network and working telephones.

As the election date draws closer, tensions seem to be growing between the country's two key politicians and the *parties they lead: President* Jose Eduardo dos Santos of the ruling MPLA party, and Mr Savimbi's Unita guerrilla movement.

Driven more by the imperatives of a new world order than inspired by a spirit of compromise, the two men last May signed an agreement to end the *civil war which began in 1975,* but soon took on a new dimension as super power rivalries helped bring South Africa and Cuba troops into the arena.

Inter-party enmity remains not far below the surface. At Huambo, in central Angola, a major in the United Nations contingent monitoring Angola's peace process, shakes his head in dismay over the rivalry between government and Unita forces: "They cannot even agree on an agenda at their meetings".

For many, such tension raises the fear that Angola is set to repeat the disaster of 1975.

Outbreaks of fighting, initially between the MPLA and Mr Holden Roberto's FNLA, were followed by clashes between the MPLA and Unita.

The pre-independence *interim administration*, established after the coup in Portugal led to Lisbon's surrender of its African colonies, collapsed.

By the time the late Dr Agostino Neto, the MPLA's founding president, proclaimed independence on November 11 1975, the schism in Angolan politics had become unbridgeable.

Some Angolan politicians discount the fears. "The world is a different place today," argues a senior Unita official.

"We can no longer turn to Pretoria or Washington; the MPLA has lost Moscow, the Cubans won't come back. . . and we both know that if we break the (transition) agreement Angola won't get foreign aid."

This is almost certainly true. But Angola's off-shore oil wealth may be temptation enough should democracy not have taken root by September.

ADJACENT election posters in the heart of Luanda extol the virtues of war-time rivals Jose Eduardo dos Santos and Jonas Savimbi. Nearby, a newspaper vendor is doing brisk business: headlines announce the arrival of a South African military team to help clear minefields in southern Angola laid by their compatriots.

The scene provided a striking image of the dramatic political changes now under way in Angola.

□ POLITICS: **Michael Holman** examines the background

Peace process enters its final stage

The regional peace process which began in 1988, when South Africa prepared to concede independence to Namibia in return for withdrawal of 50,000 Cuban troops from Angola, is entering its final, delicate stage.

Deprived of external military support, enervated by 16 years of conflict, and prodded by Washington and Moscow, President dos Santos and Mr Savimbi signed a ceasefire last May. If all goes to plan, Angola will hold its first multi-party elections at the end of September, monitored by the United Nations.

Although more than 20 parties are planning to contest the poll, most observers agree that the only substantial contenders for power are the two protagonists in the war: the ruling Movimento Popular de Libertacao de Angola (MPLA) and Mr Savimbi's Uniao Nacional para a Indepencia Total de Angola (Unita).

Hopes that a third political force might emerge, capable of preventing the MPLA or Unita from securing outright victory, were probably dashed late last month. Mr Joaquim Pinto de Andrade, former honorary president of the Democratic Renewal Party (PRD), and widely respected for his stand on human rights, resigned after alleged vote rigging for a new executive at the party's national convention.

The PRD had emerged as probably the best organised and most credible of the parties formed since Angola introduced a multi-party system as part of the peace package. Unless the party recovers its unity, the prospect of a substantial challenge to the big two shifts from the slim to the negligible.

The only election assessment advanced with any confidence is that Unita will retain the loyalty of what has been its strongest ethnic constituency, the Ovimbundu, about 35-40 per cent of Angola's population, while the MPLA will get strong backing from the Mbundu, who make up about a quarter.

Voters not influenced by ethnic considerations face an invidious choice.

The bitter shanty town graffiti "MPLA robs, Unita kills" pungently summarises popular concern over two issues: growing official corruption, amid allegations involving improper contracts and sales in the oil and diamond sectors; and revelations about the murder of two senior Unita officials at the instigation of some their colleagues.

Mr Tito Chingunji, Unita's former secretary for foreign affairs, and another leading member, Mr Wilson dos Santos, were murdered towards the end of last year in Jamba, the party's base in southern Angola. The reasons remain

Dos Santos: presiding over transition from war to peace

Jonas Savimbi: seems more thoughtful about the future

unclear. But the disclosures, accompanied by other accounts of human rights abuses, have done lasting damage to the reputation of Mr Savimbi. They have also deeply embarrassed the US which provided military and other support to Unita during the war, as well as financial backing subsequently.

So overwhelming is Mr Savimbi's domination of the party that many observers find it hard to believe that he was not in some way responsible for the killings.

The MPLA does not have clean hands. Hundreds, perhaps thousands, of alleged supporters of an abortive coup attempt in 1977 were rounded up at the time. Many were arbitrarily and secretly executed; to this day relatives are still trying to determine their exact fate.

Little divides the two parties on economic policy. Both parties subscribe to the structural adjustment principles set out by the International Monetary Fund (IMF) and World Bank – although Unita can point to a long-standing commitment to capitalism in contrast to the MPLA's relatively recent conversion from Marxism.

Any voter hoping to select a party on the basis of its foreign policy will still have a difficult choice to make.

Trade and pragmatism are forging links, once inconceivable, between the erstwhile Marxist MPLA government in Luanda and a white-led government in Pretoria. The MPLA has made it clear that it will not repay an xbn arms debt to the former Soviet Union, its war-time ally.

For many Angolans, the greatest worry, however, is not who to vote for, but whether the exercise can reach a successful conclusion.

Ms Margaret Anstee, the UN Secretary-General's representative in Angola and head of the team monitoring the process, makes clear that what she describes as "the world's cheapest peace-keeping operation" could do with more help.

One western diplomat put it bluntly: "It has the makings of a nightmare." Unita was preventing government access to some of the areas under guerrilla control; the government seemed to be dragging its heels, failing to appoint key election organisers; rudimentary communications; an acute shortage of transport; and a late start to the registration of voters.

But one of the greatest concerns involves the future of some 150,000 members of the MPLA and Unita armies, facing either demobilisation or a career in an integrated force. The settlement agreement called for demobilisation by August 1, and a 50,000-strong national army in the barracks by election day.

By the end of April, only 6,000 had been demobilised. Military officials say that thousands of men have failed to report to the 45 designated assembly points where their weapons should be collected. They reckon it unlikely that more 20,000 men could trained and registered in the new army by September.

If political tensions rise, the potential for violence seems formidable. To add to these headaches, there are disquieting developments in Cabinda. The faction-ridden Frente de Libertacao do Enclave de Cabinda (Flec) has recently stepped up a campaign for independence, or possibly autonomy, with attacks on traffic between Cabinda town and Mulongo, base for the offshore operations of Angola's leading oil producer, Cabinda Gulf Oil Company.

Ms Anstee acknowledges that there may be trying times ahead. In a jocular reference to UN Security Council Resolution 747, the mandate for the Angola operation, she makes a serious point: "I have been asked to fly a 747 and I've got only enough fuel for a Boeing."

□ PROFILE: Jonas Savimbi

A difficult transition

MR Jonas Savimbi cuts an incongruous figure in the Portuguese colonial house he temporarily inhabits in Luanda. The guerrilla leader turned politician today seems less confident of his role and more thoughtful about the future.

The Angolan capital has been his base since September when Unita, the movement which has fought a guerrilla campaign against the MPLA government since independence in 1975, transferred personnel from its headquarters in Jamba in southern Angola.

Mr Savimbi, 58, who studied in Lisbon and Lausanne, has led Unita since he launched it in 1966. After completing his degree in 1965, he left Switzerland for China where he trained in guerrilla warfare.

Politically he says he now stands "more in the centre than on the right or on the left." On economic policy, he believes in the free market economy because, he says, "private ownership creates incentive."

After 16 years of war, the transition is painful – from rural guerrilla base to urban life, from waging war to preparing for power, from army leader to politician.

The transition to democracy and the end of the cold war have both proved mixed blessings for Mr Savimbi.

"We have been getting support from South Africa, from the US. The major motivation to support us was to fight communism. Today that is not there. Now the Americans would deal with an MPLA government which won the election just as it would deal with a Unita government."

The process is already under way. South Africa is establishing relations with the MPLA government in Luanda while the US has expressed concern over allegations of human rights abuses within the rebel movement. Unita has recently admitted to the murder late last year of two of its senior members by fellow Unita compatriots.

Mr Savimbi says "the incidents have to be deeply deplored."

He adds: "It was not a decision of the leadership. It was differences in our own ranks. Which is why on our side we accept responsibility. I accept responsibility. Because it is my organisation."

The unity of the organisation, once cemented by the common enemy of communism, is showing signs of strain. Mr Savimbi admits that he is finding it difficult to convince his fellow commanders of the efficacy of peace and the merits of a democratic party.

Fellow Unita members are also baulking at changes within the organisation. "In a party you have to accept different thinking – a different line does not mean that people have to go away from the party but that these people are on the left, these people are on the right. But it is one party. In a guerrilla movement you can't do that. You always have to think about the objective. And everybody will try to conceal or to concede his difference so that the objective has to be attained. That is the real difficulty," explains Mr Savimbi.

Mr Savimbi was adamant that Unita would "never go back to guerrilla war".

"If we lose the elections, which up to now I don't think will happen, like Mr Kinnock, we will have to go to party and ask people to make a judgment of me,".

Caroline Southey

□ PROFILE: President Jose Eduardo dos Santos

Remarkable somersault

IN a speech remarkable for its frankness, and poignant in its acknowledgement of good intentions that went disastrously wrong, President Jose Eduardo dos Santos signalled a turning point in Angola's history.

Delivering what may prove to be the epitaph of Angola's ruling party or the manifesto for its revival, he told delegates attending the third congress of the ruling Movimento Popular de Libertacao de Angola (MPLA) party that they could not resist the tide of history.

It was December 1990. Sixteen months later, Mr dos Santos is still engaged in his formidable task, presiding over the transition from war to a fragile peace, from authoritarian one-party state to a multi-party democracy, and from Marxism to a market economy.

The Angolan electorate is scheduled to go to the polls at the end of September to pass judgment on a remarkable ideological somersault by the MPLA leader. "Some see him as a pragmatist," observes a former Angolan politician, now retired from the fray, "others see him as an opportunist, determined to stay in power at all costs."

Wherever the truth lies, the 49-year-old son of a bricklayer will need to draw on all his political skills when helping guide his party and Angola through the months ahead.

Mr dos Santos, one of the two key players in Angola's peace process, was only 37 when he succeeded Dr Agostino Neto, the country's first president, who died after emergency surgery in a Moscow hospital in 1979.

His credentials were impeccable. Born in Luanda and a member of the Mbundu tribe, the ethnic base of the MPLA which makes up almost a quarter of Angola's population, he joined the party at the age of 19 in 1961, the year which marked the start of armed resistance to Portuguese rule.

As the colonial government cracked down on dissent, Neto fled north to Zaire where he became vice-president of the MPLA youth movement in Kinshasa. After two years he took up a scholarship to study petroleum engineering at the Oil and Gas Institute of Baku, in Azerbaijan, then part of the Soviet Union.

After graduating in 1969, he took a military telecommunications course and the following year joined MPLA guerrillas in the Angolan enclave of Cabinda. Elected to the party's Central Committee and Political Bureau in 1974, he became independent Angola's first foreign minister in 1975.

In August 1987, President dos Santos announced that Angola would seek membership of the International Monetary Fund (IMF) and a further reform package paved the way to admittance in September 1989.

As the 1988 US-brokered peace process took effect, with South Africa ceding independence to Namibia in return for the withdrawal of 50,000 Cuban troops based in neighbouring Angola, so the pace of economic and political change quickened.

"A real democratic revolution dominates today's world", President dos Santos told the MPLA congress in December 1990 – the last to be held under Angola's one-party system. "With good sense, realism and caution," the president continued, "Angola will able to attain peace". Sixteen months later, his message holds good.

Michael Holman

□ THE ECONOMY

Painful path of reform

BURDENED by an $8bn-$9bn external debt which even a thriving oil sector cannot service, grappling with the legacy of war, and acutely short of management skills, Angola has embarked on the painful path of reform under the tutelage of the International Monetary Fund (IMF) and the World Bank.

A budget deficit of more than 25 per cent in 1990 has to be cut, the kwanza remains overvalued despite last month's devaluation, and the balance of payments deficit has risen steeply from $6m in 1985 to $1.25bn in 1990 and did not improve last year, according to central bank estimates.

"The government is working closely with the IMF in its efforts to address these issues," says a senior official in the finance ministry. While stressing the administration's determination to cut spending and pursue a privatisation programme, the official is frank about the difficulties stemming from years of mismanagement as well as the civil war.

The recovery effort follows a gruelling era. The collapse of Angola's flourishing, diversified pre-independence economy was dramatic, even by the standards of a continent accustomed to disaster.

A GDP growth rate averaging nearly 7 per cent in real terms had been built on exports of oil, coffee, diamonds and iron ore, and a manufacturing and industrial sector rivalled in Africa only by South Africa.

The tumult of 1974-75, marked by the exodus of 350,000 Portuguese settlers and a growing civil war, marked the start of a catastrophic decline.

Coffee exports have fallen from more than 200,000 tonnes to a few thousand, ore output has ceased, diamond production remains below the pre-independence peak of 2.1m carats, a surplus of basic food has become a deficit and the industrial sector operates at perhaps a quarter of production capacity.

Only the oil sector has thrived – up from 170,000 barrels a day (b/d) before independence to more than 500,000 b/d, accounting for over 90 per cent of export earnings, at least half of which have been spent on the war.

Whichever political party wins next September's elections, the priority of the incoming government will be to seek an agreement with the IMF, followed by an early meeting with the Paris Club of official creditors.

The imprimatur of the Fund is a pre-condition to the urgently-needed rescheduling of Angola's external debt – $7.7bn at the beginning of 1991; at least $8bn today.

With debt service payments due this year of at least $1.6bn, and forecast export earnings of about half that, rescheduling is essential to economic recovery.

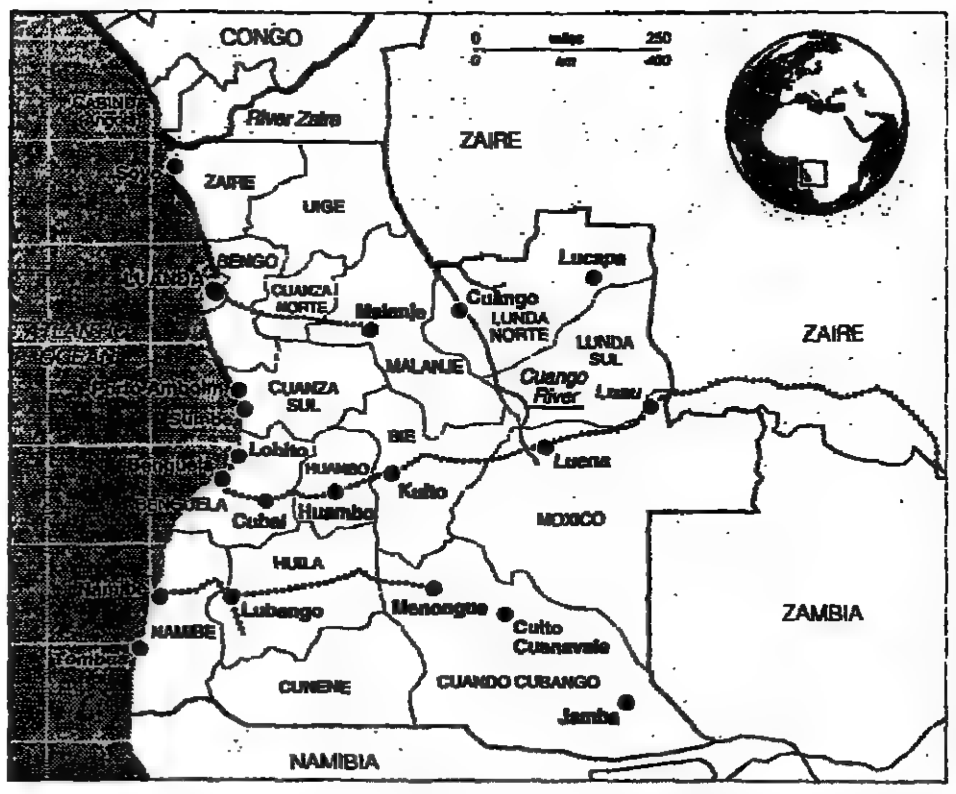
Over the past five years the MPLA government has been dismantling the edifice of state controls, cautiously at first, more vigorously since becoming a member of the Fund in September 1989.

Three successive reform plans – in 1987, 1989, and 1990 – tackled the Angolan economic malaise, which the first of the plans so candidly described as: "The excessive centralisation of socialist planning methods and consequent bureaucratisation of economic direction… disorganisation and mismanagement of companies, lack of discipline and rampant corruption".

The 1990 programme marked the shift from promise to practice: spending was cut and revenue boosted in an effort to reduce budget deficits exceeding 25 per cent. Prices were increased and most price controls lifted, and the kwanza was devalued, taking effect in March 1991. A currency changeover designed to mop up excess liquidity was also introduced. Old and new notes were exchanged at par, but only 5 per cent exchanged for new kwanzas, the balance in government bonds.

Last year, new legislation on the financial sector was introduced providing for a new commercial bank and a credit institution for agriculture and fisheries.

Professor Fatima Roque, "minister-designate" of finance in the opposition Unita, has committed the party to what amounts to radical structural adjustment programme towards the same destination: a market-driven economy with a competitive exchange rate and the once-dominant state-controlled sector reduced to certain core services.



But it is the MPLA who must put principles into practice, imposing the rigours of adjustment on an electorate they are trying to woo. And until adjustment policies have been applied with sufficient rigour to satisfy the Fund, there will be no repeat of the Paris Club's decision in 1989 to make an exception to the rules, when arrears and maturities falling due in the period through September 1990 were rescheduled.

But Angola faces such a formidable set of problems, say officials; it deserves a sympathetic and flexible response from the Fund and creditors.

As Professor Roque comments in an analysis of Angola's predicament: "There is no body of experience available – with regard to the application to the theory of timing, scope, speed or the sequences of reforms – to guide Angola in its transition from a centrally-planned to a market economy."

Government officials say they will not be distracted from the reform task by the coming election. But while the commitment may remain, implementation of the transition programme makes their task even more difficult. The election exercise itself will be an expensive exercise, and there is also the cost of funding the demobilisation of the bulk of the two rival armies.

Soldiers returning to civilian life receive lump sum payments and government is also pledged to retraining and resettlement assistance.

"The peace dividend will come," said one official, "but not as quickly as we had hoped."

Implementing the reform blueprint may have to wait until after the polls.

Michael Holman

□ FOREIGN INVESTMENT

Formidable obstacles

ARGUABLY no country in Africa has been blessed with greater resources than Angola: oil and diamonds, plentiful fertile *farmland with rivers that flow all year,* huge marine resources, natural harbours, and an area five times the size of Britain *but with only 10m people.*

The ruling MPLA party and Unita, their main rivals in the September elections, *agree that foreign investment is essential* if this cornucopia is to be developed.

But the would-be investor faces some *formidable obstacles, ranging from com*plex legislation to corruption, a slow-moving bureaucracy and all the problems associated with *a country desperately short of* skilled personnel and an infrastructure ruined by war.

While acknowledging that much may have to be done, government officials point out that the 1988 investment law guaranteed remittance *of net profits,* contained provision for tax holidays, exemption from or reduction of customs duties on *imports of capital goods and spare parts, and a guarantee of fair compensa*tion in the event of expropriation – reinforced by Angola's decision to *sign the Multilateral Investment Guaran*tee Agreement (Miga).

Funding from development agencies, led *by the World Bank, should be available to* reinforce the private sector role in priority investment areas, say officials. These *include agriculture, food processing,* mining, fishing and fish processing and construction. Advice is available from the For*eign Investment Office** whose role is to answer queries from abroad, evaluate proposals and act as co-ordinators.

Would-be investors planning to make commitments before the September poll may need to tread carefully, however.

Unita failed to secure the government's agreement to a proposal to establish a joint body to oversee foreign investment policy and *decisions during the pre-elec*tion period. The result, claim party officials, is a number of questionable deals by *government officials taking advantage of* what may be their last opportunity to secure kickbacks or commissions.

The trenchant tone of Unita's criticism of the foreign partners involved has concerned some businessmen and diplomats. *They acknowledge that Unita has grounds* for concern but suspect there is within the party a strong streak of economic nationalism, whose advocates are ideologically opposed to substantial foreign business involvement in the economy.

Unita officials deny this and reaffirm the party's commitment to its investment code, published in July last year.

Declaring its support for a "private enterprise-based market economy", the party document "recognises the critical *role of foreign investment in providing* access to foreign capital, technology, management skills and foreign markets."

A Unita government will "actively encourage" investment in commercial agriculture and agro-business, fishing, *mining, oil and petrochemicals, energy,* and manufacturing, says the code, which also offers guarantees on remittances of *profits, dividends and royalties.*

** Gabinete do Investimento Estrangeiro (Foreign Investment Office) Rua Cerqueira Lukoki No 25 Tel: 392620 Tx 3262 Fax 393381*

Michael Holman

□ RELATIONS WITH SOUTH AFRICA

Lop-sided trade links

FROM beer to prefabricated housing, from spare parts to office equipment, South African products are reaching Angola in increasing quantities.

There has long been a South African connection through the diamond industry. *Now the continent's industrial super*power is rapidly moving into what its businessmen describe as one of the most *important markets in Africa, challenging* traditional European suppliers.

The bitter years of enmity and hostilities between Pretoria and the Angolan government have been consigned to history. Pretoria's representative office in Luanda will soon be upgraded. The South African embassy and residence, vacated shortly before independence in 1975, will *be returned to their pre-independence* owners as soon as alternative accommodation can be found for the present occu*pants – the Polish diplomatic mission.*

Most South African businessmen express enthusiastic belief in Angola's *potential, modified by concern about political stability and dismay at the bureau*cracy, housing shortages and poor communications they encounter in Luanda.

The market potential of a country which exports more than 500,000 barrels of oil a day (b/d) is not conveyed by the latest *available trade figures, which precede the* diplomatic rapprochement. In 1990, South African imports from Angola were negligible *(R59,000) but exports reached R50m.*

The lop-sided trade relationship could change. Apart from providing an outlet for *Angola's oil (there is speculation that a* substantial barter deal is in the offing), South Africa could be an important mar*ket for Angolan fish-meal.*

South African construction companies are preparing to take part in the rebuild*ing and development of Angola's infra*structure – bridges, roads, ports. Much of this could be World Bank-funded, says Mr *Andrew Maggs of the South African For*eign Trade Organisation (Safto), which has organised trade missions to Angola.

The country's oil sector is also a large market for South African companies, businessmen believe. As well as being a potential service and equipment base, South Africa is a logical place from which to source all the consumer needs of a 10,000-strong oil workforce which requires regular delivery of fresh food and consumer goods – hardly any of which is supplied locally.

The Standard Bank has had a representative in Luanda since the start of the year, and the group may be opening a branch later this year. Meanwhile, one of the South African companies with the highest profile is Murray & Roberts Construction. At the end of February the company signed a protocol with Cabinda province and the Angola government covering training in the construction and engineering industries, supply of prefabricated houses, schools and hotels, and a range of other services including work on roads and in the agriculture and mining sectors.

But one businessman with wide experience of black Africa urges caution: "No big decisions are being taken until the elections are over and there is greater certainty. Any long-term agreements may have to wait until then."

Michael Holman and Philip Gawith

☐ BENGUELA RAILWAY

Lack of funds curbs plans

DOWN at the Lobito repair workshop, engineers are diligently patching up locomotives damaged by bombs during the civil war. Along a short siding, engines that have been too badly hit are gradually stripped of any parts or equipment that can be used to repair others.

Mr Ernesto da Rocha, chief engineer at the workshop, says that 12 General Electric locomotives, seven from the US and five from Brazil, are now in working order. Four more are being repaired and another five await their turn. Ten locomotives were too severely damaged to offer any scope for repair – causing an estimated loss of $18m. Mr da Rocha hopes to have 14 locomotives in good running condition by June.

The rehabilitation of each engine is a painstaking task but one on which depends the future of the Caminho de Ferro de Benguela (CFB), once regarded by enthusiasts as one of the world's last great railways. For Angola, the line that runs eastwards from the Atlantic port of Lobito, *500km south of Luanda, to Zaire and the* central African heartlands was a cause for pride and an important source of foreign exchange revenues until the civil war

Between 1972 and 1974, total freight traffic on the railway averaged about 3m tonnes annually, including mineral exports of 535,000 tonnes from Zaire and of 325,000 tonnes from Zambia. Import traffic to the two countries was an average 550,000 tonnes annually. Total revenue peaked at $43m in 1974.

Regular international services allowed passengers arriving at Lobito by ship from Europe to travel in comfort all the way to Lumbumbashi, formerly Elisabethville, in Zaire, or to Lusaka, the Zambian capital. The trains had sleeping accommodation and showers in first class and a restaurant that offered smoked ham and melon, Portuguese salt cod and Angolan giant prawns. Now that peace has been signed, officials hope that the railway will be restored, if not to its former status as a vital artery for central and southern African trade, at least sufficiently to play a crucial role in the recovery of Angola's internal provinces. But even this more *modest objective will be difficult to* achieve.

The 1,300km line to Luau on the border with Zaire has been considerably damaged by war and 16 years of neglect. Apart from a few brief intervals, the line has been effectively closed to international traffic since the onset of the civil war in 1975, with intermittent freight services to Huambo, 400km away, until 1988. Thereafter, *trains only run on the* 30km coastal stretch between Lobito and Benguela, the provincial capital, to provide a primitive if regular passenger service.

Surveys suggest the track is in a very bad state with wood sleepers burnt or worn out and 75 bridges needing repair

Irregular traffic between Lobito and Huambo resumed last year, but only for freight.

Work has been going on to rehabilitate this part of the line and Mr Lukoki Sebastiao, BFB finance director, says he expects trains to resume normal traffic to Ganda, about half way to Huambo, *by the end of* May.

Further east, the extent of the damage has yet to be fully assessed. *Initial sur*veys, incomplete because many parts of the line are still inaccessible, suggest the track is in a very bad state with wood rail sleepers burnt or worn out and at least 75 bridges needing repair, he says.

Lack of funds is a big handicap in efforts to rehabilitate the railway and several plans have had to be shelved or cut back as a result.

In 1987, the government and the Southern Africa Development Co-ordination Conference (SADCC) agreed on an ambitious 10-year "Lobito corridor" development plan which included rehabilitating the railway, improving adjacent infrastructures including roads, sanitation, sewerage, water and electricity supplies, repairing Lobito's port, and developing civil aviation facilities from the local airforce school airport.

The cost was estimated at $575m at 1987 prices with $346m for the railway alone. *Efforts* to win international financing for the plan floundered because of the war and in 1989 a new emergency plan was dawn up. This focused on the link to Huambo and would have cost $94m with $33m to be spent on the railway, Mr Sebastiao says.

This plan has now been replaced with a crash programme – aimed at restoring traffic between Lobito and Kuito, 584km east, at an estimated cost of $17m – to carry out partial repairs allowing the track to be fully operational (up to Kuito) in 1995.

The rehabilitation of the rest of the line to the border will take place in a second stage, depending on the outcome of discussions with the World Bank later this year. Under World Bank auspices, work on a new comprehensive study of the Lobito Corridor began last January and is expected to be completed in July. Before that, discussions will take place with Zaire and *Zambia to assess the railway's prospects.*

It is unlikely that the railway will ever be fully restored to its past glory, but even a partial restoration would play an important role in helping to rebuild Angola.

Patrick Blum

☐ LOBITO

Port is still well equipped

THE sleepy port of Lobito, once an important stop-off point for exports of minerals from Zaire and Zambia, awaits its renaissance. Lobito's port, like most of Angola's transport infrastructure, has suffered from the war, although in comparison with Luanda it has emerged in far better shape from the years of civil conflict.

Set in a natural harbour formed by a 5km sand-spit, the port remains relatively well equipped with six deep-water berths and a long coastal quay, all of which are in a reasonable state of repair.

A large number of the original cranes and fork lift trucks have been kept in relatively good order, the port is remarkably tidy and, unlike in *Luanda, there are no serious* problems of security and theft, says Mr Belmiro Ferreira, head of the port authority's finance department. Local businessmen also say that formalities are processed more speedily than in the capital.

In 1973, the port handled *2.6m tonnes of cargo,* traffic having risen sharply in the preceding years. It has fallen to a fraction of that volume but Mr Ferreira is confident that with peace Lobito can once again play a leading role in the national and provincial economy. "Now that the war is *over,* and the *roads are open*ing up, there are good perspectives for the port."

Some rehabilitation work will be needed to bring installations and equipment up to the standards required to meet any rise in traffic. An emergency plan has been drawn up which includes rehabilitation of infrastructures and purchase of cargo handling and maritime equipment and of vehicles. The plan envisages *investment of about $14m* and Spanish financing for the first part has already been agreed, Mr Ferreira says.

It used to be said that without the Benguela railway Lobito would not exist and that without Lobito port the railway could not function. Mr Ferreira agrees that a resumption of international traffic on the Benguela line would have a crucial impact on Lobito. But the port would benefit also from a resurgence of domestic agriculture and mining, both of which have declined dramatically since the war. Before that, a large quantity of agricultural exports, especially maize from the Huambo and Bie provinces, as well as iron ore from Cuimba, were exported through Lobito.

Nowadays there are no exports out of Lobito and ships are a rare sight in the port. But once the road northwards is fully refurbished, Lobito could become an attractive alternative to Luanda where long delays are *common and secu*rity is a nightmare for shippers.

Patrick Blum

☐ PORT OF LUANDA

State of neglect

ALMOST every night short bursts of gunfire reverberate around the port of Luanda as thieves and security guards clash.

The conflict's disastrous impact on the Angolan economy has encouraged the growth of a parallel economy whose most visible expression is the vast Roque Santeiro black market on the capital's outskirts, and where everything that cannot be found in government stores is on sale.

Many of those goods have been stolen from the port, often with the complicity of port officials and police.

Stealing from the port is a lucrative if dangerous business, with many of the spoils ending up in the vast Roque Santeiro black market on Luanda's outskirts.

Security is not the only problem. The port, once considered one of the finest on the western coast of Africa, suffered from the war as exports collapsed – except for oil which is shipped almost entirely from the oil-producing province of Cabinda.

Until independence, Luanda was the main port for agricultural exports including coffee, cotton, sugar, sisal, palm products, tobacco, rice, and maize. In 1973, *total freight ship*ments in and out of Luanda, including trans-shipments of copper and iron and refined oil products, was 2.3m tonnes.

By 1983, traffic had fallen to below 700,000 tonnes as a result of the disruption of road and rail links, the closure of mines and plantations, and foreign restrictions on imports – which now account for the bulk of freight traffic. Shippers currently estimate that 300-400 tonnes of general cargo, and about 120 containers, are unloaded daily.

Behind the port's elegant colonial facade, *installations* have reached an advanced state of neglect which will need substantial investment to correct. Access roads and freight handling equipment are in a poor state, and most of the and electric cranes do not work. It is not uncommon for ships to use their own derricks to unload. Port regulations demand that shippers pay for the cranes regardless, so there has been no incentive for the port authorities to repair or replace damaged equipment.

Many of the port's facilities were originally designed to handle large bulk exports and are *inadequate for the type of* imports now shipped. The port lacks appropriate warehouses and cold storage facilities. Rubbish and discarded equipment lies openly between run-down warehouses. Close to 6,000 containers, many of them damaged, wait to be emptied or shipped out, making them easy targets for thieves.

The government has handed over the management of the piers to mixed state-private companies to improve efficiency, but they are handicapped by conditions in the rest of the port. Roll-on roll-off cargo has priority, so have food imports, but delays are common and ship's papers must be fully in order to avoid a long wait.

"If all cargo documents are sent to us at least two days before the ship arrives in Luanda, we can prepare the documentation and begin to organise things at this end to make sure goods are cleared as soon as they get here," says Mr Antonio Fernandes, shipping manager for agents Hull Blyth.

Patrick Blum

☐ THE OIL INDUSTRY

Key to Angola's survival since independence

ANGOLA'S oil industry, largely protected from the vagaries of civil war and political uncertainty, has boomed during the past four years and the success story seems likely to continue for the rest of this decade.

Oil has been the key to Angola's survival since independence – the sole underwriter of the war effort and guarantor of its international debts. Within 25 years, Angola has become sub-Sahara's largest producer after Nigeria, with the region's second-biggest reserve base.

Recoverable reserve estimates over the next five years for fields in production, under development and those being lined up totals some 4.9bn barrels.

Although the oil industry survived the turmoil of independence better than any other sector of the economy, production began to flag in the late 1970s, leading to a reorganisation of the sector between 1976 and 1979. The changes, which included the establishment of Sonangol as the government's business arm responsible for co-ordinating and controlling petroleum activities, resulted in a steady rise in production from 1982.

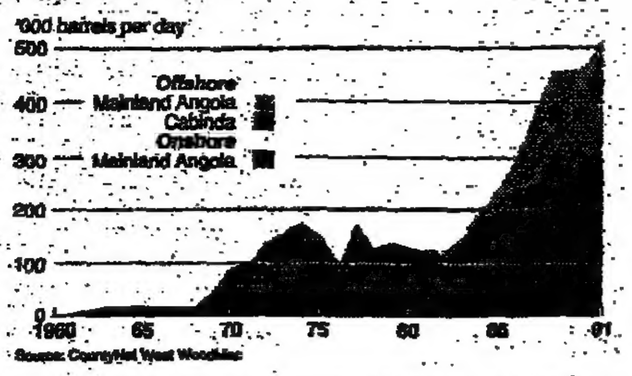
Factors which attracted foreign companies to Angola 10 years ago – low operating costs, prospects for new discoveries and favourable contractual terms offered by Sonangol – are still drawing new investment into the sector.

A further attraction is that Angola has never been a member of Opec. This has allowed it flexibility to sell what crude it can produce.

Mr Joaquim David, director-general of Sonangol, the state-owned oil company, says with some pride: "The companies that began with us in the initial years have stayed and new ones have been drawn in."

Peace for the country has coincided with record exploration levels and the discovery of lucrative deep-water wells. Sonangol in turn has begun to offer an innovative licensing regime which is proving highly attractive to foreign companies.

Oil production



Source: County NatWest Woodmac

Under the regime – known as a "rate of return" profit oil – the percentage of production left to the investing company varies according to the field's level of productivity.

Mr David is optimistic. "Oil is a growing industry. Our production is five times what it was in the last years of the the Portuguese administration. We have every reason to believe upstream development will grow."

A surge of development is now anticipated which should boost output from its 1991 level of 505,000 b/d to 680,000 b/d in 1996

The importance of the sector cannot be over-estimated. Oil accounts for more than 90 per cent of total export earnings. Last year, crude oil exports earned Angola some $3.15bn compared with $3.55bn in 1990.

The highest level ever of exploration activity in the offshore sector last year is set to assure oil's paramount role in the Angolan economy. A surge of development is now anticipated which should boost output from its 1991 level of 505,000 b/d to 680,000 b/d in 1996. Of the current output of 555,000 b/d, Chevron accounts for 300,000 b/d, Elf 165,000 b/d, Texaco 55,000 b/d, Belgium's Petrofina 30,000 b/d and Italy's Agip 5,000 b/d.

In tandem, offshore operators have prepared extensive expansion plans. County NatWest WoodMac, in a report on the the West African oil industry drawn up early this year, estimates that expenditure in Angola will peak in 1993 and 1994 at $750m each year.

Capital investment has grown rapidly over the past 3 years, from $210m in 1988 to about $500m in 1991. This compares with a previous high of $532m (1992 prices) in 1987.

Mr Matthew Shaw of County NatWest Woodmac predicts that over the next nine years some $4.7bn of upstream investment is envisaged, compared with $3.3bn spent over the past nine years. Those expected to make the biggest commitments are Chevron in Cabinda, Texaco in Block 2 and Elf in Block 3.

"Chevron has a high degree of commitment to our Angola operation. In international terms it is one of the big five. In investment terms it will be at the top during the next three years. After 1995 it should be the biggest in liquid production," says Mr Bob Connon, managing director of Cabinda Gulf Oil Company (Cabgoc).

Cabgoc, in association with Sonangol. Elf Petroleum Angola, and AGIP Angola, operates the offshore concession of Cabinda. Area A of this concession is presently producing 310,000 b/d. The production sharing agreement (PSA) gives Sonangol 41 per cent, Cabgoc 39.2 per cent, Elf 10 per cent and AGIP 9.8 per cent.

There is no production yet from the deep-water Areas B and C of the Cabinda concession. However, a three-year contract for the first phase is due to be signed shortly with Setal of Brazil and Lummis of Sweden. The contract covers the structures, treating and pumping equipment and the pipeline to shore. The complete development of the project up to first production, including this contract, is worth more than $400m.

The cost is explained because of the expense of drilling in deeper water of about 350ft. The maximum water depth of current production is slightly over 200ft. The first oil is expected to flow in 1994. Peak production could reach an estimated 100,000 b/d.

Mr Connon says the development is comparable to "three large events in our history in Angola since we started in in 1954." These included the development of Takula field in 1982, the introduction of waterflooding at Takula and the first development in the Malongo field.

Onshore, where activity was effectively stalled by the civil war, drilling is set to be resumed within the next couple of years. In the Cabinda enclave, an area that has not been drilled since Cabgoc relinquished its concession in 1971, BP and Occidental are due to sign new contracts although the first well is not expected until 1994.

On the mainland, where the war severely disrupted work, exploration work could resume. Some exploration acreage is already licensed to Fina and in the longer term new areas could be licensed although this is not expected until the end of the decade.

Caroline Southey

☐ INTERVIEW

Atmosphere of hope

Caroline Southey interviews Joaquim David, general manager of Sonangol, the Angolan state oil company:

Southey: *What are the prospects for Angola's oil sector?*

David: It is a growing industry... and now the war is over there is an atmosphere of hope in the future.

The companies that began with us in the initial years have stayed and new ones have been drawn in. We have every reason to believe the upstream development will continue to grow, and we are also exploring the country's gas potential.

Sonangol, with its foreign partners, is looking actively into developing refining capacity. We have one refinery and here in Angola production is balanced with demand. Although South Africa seems to have excess refining capacity, there may be other markets where environmental restrictions are damaging the development of new refineries.

What about onshore developments?

We are in negotiations for onshore exploration. We are close to signing contracts for two areas. Another is at a very early stage.

You have indicated you will privatise the distribution system, now a Sonangol monopoly. Has there been any advance?

We are developing a price mechanism which we believe will attract foreign sector investment down stream. The Ministry of Petroleum has approved the proposed price structure and we are in the process of inviting companies to invest. Within the next two to three months we expect some results.

Is there a review of production sharing terms?

No, although we review laws and where there are weak points we make adjustments or proposals. We have a standard production sharing agreement (PSA) but we negotiate on a case-by-case basis with investors. We also try to standardise the fiscal terms so that we have more uniformity and a more readily controllable system.

Are you reviewing price cap clauses (which give government the benefit should prices rise above a certain level)?

We made a major change in principle in deep water contracts. Normally in shallow waters we made a split between Sonangol and the contractor based on accumulated oil production. In deep waters we are doing it based on cash flow and rate of return after a certain time. It was a major change which seemed to please both Sonangol and investors as it took into account higher investments required for deep waters.

Is there a greater flexibility on Sonangol's part in negotiations with foreign investors?

No, we have always been flexible. What we have now is that accumulated experience which allows us to fine tune some aspects.

Has Sonangol sold oil forward?

We have had to commit some oil for the financing of the first big deep-water development of Cabinda. But normally we make one-year contracts, most of which are renewable and are linked to credit lines. We have one exception, a contract that will end in 1994.

☐ MINERALS INDUSTRY

Opinions differ over future

ANGOLA'S mineral industry is littered with projects abandoned by local and foreign operators after the onset of civil war following independence in 1975.

A combination of political stability and an attractive business climate could see a substantial expansion of a sector currently dominated by oil and diamonds, say local officials.

Western experts are more cautious, concerned about the country's poor infrastructure and generally weak international markets for many of the potential mineral exports.

Excluding the two key foreign exchange earners – oil and diamonds – mining production currently represents less than 3 per cent of GDP and approximately 6 per cent of total exports. These figures could rise comparatively rapidly, say industry officials, if abandoned workings are brought back into production and previously untapped resources are exploited.

Iron ore exports, for example, earned 11.7 per cent of the then Portuguese colony's earnings in 1970, making it the fourth-ranking economic activity in Angola and the country a medium-sized producer of the mineral. Angola also has extensive deposits of phosphates, copper, quartz, uranium, manganesem wolfram, gold, mica, sulphur, nickel, limestone and silver which have yet to be fully exploited, notes Mr Jose Dias, secretary of state for geology and mining. "Our mining industry has been neglected for a long time and we are only at the beginning of its development. No new investment has been made in mines. Many of our minerals have been forgotten," he says.

The government, which recently surrendered its monopoly on all mineral rights, is trying to encourage investment in the sector. This year it introduced a new mining law which makes it possible for private foreign and local companies to invest in prospecting and mining.

The state mining companies are also seeking to negotiate more flexible fiscal terms with private companies which will take into account the cost and rate of return of developments.

Mr Dias says the government is considering proposals from RTZ, Anglo American and De Beers on future developments.

Ferrangol, set up in 1981 with the responsibility for exploiting iron ore and manganese deposits, is now closed and being held on a care and maintenance basis. A combination of instability caused by the civil war and the depressed international market made the resumption of iron ore mining economically unrealistic until recently.

Between 1968 and 1973, exports averaged 5-6m tonnes, but war halted production at the largest iron ore mine at Cassinga, near the Namibian border, the centre of an area that was regularly attacked by South African and Unita forces.

With the establishment of peace, there is a possibility that mining could resume. However, the extent of iron ore reserves and their value on today's international market has yet to be established.

Export prices are expected to remain uncompetitive because of exorbitant transport costs. Road and rail links were prime targets for attack and their repair rehabilitation has not begun.

Three additional mining companies have been formed since independence: Fosfang, in 1979, to initiate exploration of phosphate deposits, Minaquartzo in the same year was given the concession for quartz mining in Cuanza-Sul province, and Roremina was established in 1978 to take over work previously done by the sub-commission of quarries.

The quartz mines controlled by Minaquartzo are currently closed. Angola's quartz competes with comparable products from Madagascar, Sri Lanka and Brazil. Dunes, the South African-British group, is reported to be considered a joint venture contract with Minaquartzo. Foreign experts estimate investment of $3m would be needed to recover the previous level of quartz production – about 2,000 tons a year.

Caroline Southey

AGRICULTURE

Poised for a fresh start

AFTER more than a decade and a half of decline, Angola's agriculture could be poised for a new start. The end of the civil war last year, and good rain-falls in most parts of the country, have raised expectations that a modest recovery is on the way.

Officials report an increase in activity in the countryside since the war ended and forecast a 15 per cent rise in food production this year. If confirmed, it will be the best result since 1980. But there is still a long way to go before Angola regains food self-sufficiency, and the rest of agriculture remains deeply in crisis.

Agriculture was thrown into turmoil after independence and the departure of Portuguese settlers. Farms, plantations and food processing industries were abandoned and vital commercial and servicing structures collapsed. The civil war exacerbated the crisis and production went through a precipitous decline leaving the country – once an exporter of agricultural produce – dependent on food aid. Food imports rose rapidly to reach $242.7m in 1984, according to the World Bank.

Among the main export crops, coffee production fell from 210,000 tonnes before independence to about 7,000 tonnes in the late 1980s; cultivation of cotton fell from more than 110,000 tonnes in 1973 to 307 tonnes in 1986; maize production – once Angola's fifth largest agricultural export and an important element in the local diet – fell from almost 900,000 tonnes in 1975 to 290,000 tonnes in 1986. Production of most basic foods, from rice to beans and potatoes, declined markedly. The livestock sector fared no better with the number of cattle slaughtered for meat falling from 157,000 in 1973 to fewer than 18,000 in 1985.

Mr Benjamin Castello, deputy minister for agriculture, says low production was the result of war, natural catastrophes – drought in the south and floods in the north – and of misconceived policies.

"Agricultural policy was not properly adjusted to conditions. There were good intentions but the policy failed to take into account the human factor. People didn't participate in the policy and there was an over-reliance on mechanisation. There were no incentives to improve production and as a result rural trade disappeared."

Large state farms were given priority and preferential treatment over small-scale or subsistence farming, but they performed badly due to poor management, lack of technical preparation and misplaced attempts to meet unrealistic targets.

In the early 1980s, the government shifted support towards small farmers. An emergency plan was approved in 1984 with the aim of reducing the state's role in production. Inefficient and unpopular co-operatives were turned into peasant associations, enabling farmers to pool their resources but allowing them to retain and sell the products of their own work.

"The co-operatives were often set up bureaucratically without real local participation. State companies exploited the peasants as if they were new colonialists," Mr Castello says.

The government plans to *privatise all coffee* plantations and foreign companies will be invited to tender for the larger ones

Agricultural Development Stations (EDAs) were created in the countryside to provide technical and financial support for peasant associations, including help with access to production inputs and distribution. The measures helped to stabilise prices and led to a rise in production in spite of the war, Mr Castello says.

Economic reforms known as the Saneamento Economico e Financeiro (SEF), introduced in 1988, should also help. These include: liberalising prices, allowing greater private sector activity and investment in the transport, retailing and wholesale sectors, opening up credit facilities, and decentralising decision making.

Foreign investment is encouraged, especially in the service sector whose inefficiency is seen as one of the biggest barriers to development.

Land and large plantations left vacant by the departure of settlers and not currently used will be sold. The government plans to privatise all coffee plantations and foreign companies will be invited to tender for the larger ones.

Before independence, Angola was the world's fourth-largest coffee grower, producing a record 4m bags of coffee and generating exports worth $206m in 1972-73.

Most coffee plantations were in the less populated north and workers were contracted from the south – where the rebel Unita forces were strongest – and the migrant flow stopped during the war. Many plantations were neglected and most will need substantial investment because many coffee trees are dead or diseased.

Several groups are interested, including Espirito Santo of Portugal which owned a big plantation in central Angola, but much depends on what happens after next September's elections.

Mr Castello says a new property law clarifying land ownership will be passed soon: "All investors, foreign or Angolan, want this reassurance. Anyone who wants to invest can come to the ministry, explain what they want to do, whether 100 per cent foreign or a joint venture, and we'll see what we can do."

The flight of hundreds of thousands of people from their homes poses another problem. Countless villages are deserted and about 40 per cent of the population now lives in urban areas. As people drifted to towns in search of safety and work, the proportion of Angolans engaged in agriculture dropped by half from 74.5 per cent in 1970 to 35.5 per cent in 1985.

There are signs that people are starting to move back to the countryside, and as security and communications improve this is likely to accelerate.

Many government officials see the successful resettlement of these displaced families as fundamental to the country's future. "As long as Angola's peasants are poor, Angola will remain poor" argues Mr Costello: "We have to create the framework for all Angolans to enrich themselves. The creation of wealth will guarantee stability in the country."

Patrick Blum

PROFILE: ALBERTINO DE OLIVEIRA

Farmer with an important role

De Oliveira: survival is a testimony to endeavour

WHEN the fighting between government troops and the Unita rebels was at its worst in Benguela province, Albertino de Oliveira found himself caught in the middle. As bad luck would have it, his farm happened to be located in an area where some of the fiercest clashes took place, but he shrugs the memory off with a laugh.

Unlike the vast majority of settlers who left the country in 1975, Mr de Oliveira stayed put. He continued to farm during the difficult years of the civil war and today he is one of a small band of private farmers who have not only survived but whose very survival bears testimony to the resilience of private endeavour and grit in the face of near-impossible odds.

Today, he is relatively prosperous in a country that has faced famine and that still suffers from extensive and visible poverty – and from widespread shortages of even the most basic necessities. In the past, Mr de Oliveira's success might have caused official disapproval.

Today the government has made rehabilitation of agriculture, especially food production, a top priority

Then, instead, the emphasis was on the state's role in capital-intensive agriculture in which unrealistic production targets were to be achieved with expensive but inappropriate machinery. An unofficial monument to the failed policy can be found in an open field not far from the De Oliveira farm: a row of rusting East German combine harvesters.

Today, the government has made rehabilitation of agriculture, especially food production, a top priority. Any endeavours that will boost production are now welcome. And while Mr de Oliveira's farm and others like it will not solve on their own Angola's food crisis, they are making a small but important contribution towards that aim.

Set on 25 hectares of land ceded by the Benguela railway company, the farm stretches across the plains surrounding Benguela, the provincial capital. It produces some 450 tonnes of onions a year, tomatoes, lettuce and other market gardening produce.

About 200 workers, half of them women, clear the land, plant, tend and pick the crops. But that is where any similarities with management of equivalent farms in more propitious circumstances ends. Survival and the ability to improvise have been indispensable qualities to overcome the ravages of war and drought and the handicaps caused by lack of equipment, erratic transport and next to no technical or financial support.

Drought is still affecting the province but peace has brought some improvements as the roads are open again to traffic. "Before, we couldn't sell our products", says Mr de Oliveira. Most of the farm's produce is sent to Luanda where it fetches better prices, but he expects transport bottlenecks by July as conditions improve and farm production rises.

He says conditions for private farmers have not changed since the war ended. Fertilisers and herbicides have been practically unavailable since 1975 and farmers make up their own from whatever chemicals they can find locally.

The price of equipment is high – a three-cylinder pumping system costs Kz18m – and credit is unavailable. "For private sector farming there's no credit. I've heard of European Community help for pumps, but I haven't seen anything." He thinks he may be able to put up the farm as security for credit "but the situation is unclear."

Sitting at a large table in the courtyard of his small house in Benguela with friends – mostly local farmers who seem to drop in at all hours – Mr de Oliveira is better off than most local inhabitants. But he says there are no incentives to produce more. "There's nothing in the shops and my wife has to go to the parallel market to find most things, from cooking oil to clothes."

Like most farmers, he is not over-interested in politics. His concern is to ensure the farm is able to produce and survive. Having come through 16 years of civil war, his keenest wish now is to re-equip the farm with modern machinery. "We don't have anything. A good tractor or lorry or irrigation equipment would be useful. We need to clear everything and start again with new and better equipment."

Patrick Blum

☐ BENGUELA: FARMING AND MANUFACTURING

Resilience despite hardship

THE six-hour drive from Luanda to Benguela was instructive. The route, too dangerous to travel before the ceasefire, is now becoming popular – despite occasional banditry on some sections of the journey.

Teams of road menders repaired long-neglected potholes and fresh fish was for sale on stretches where the road hugs Angola's picturesque coast: small but important signs that peace has returned to Benguela province.

But the main objective was to visit the factories and farms in and around the towns of Benguela and Lobito, 500km south of Luanda and commercial hub of a province stretching across 32,000 sq km.

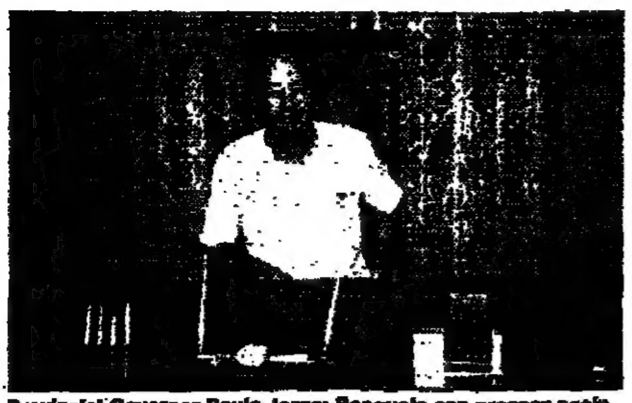
What emerged were tales of hardship and deprivation, stark images of sad, squalid shanty towns, gangs of pitiful urchins roaming the city streets. But what also became clear from tours of the factory floor and talks to farmers was an extraordinary resilience, and a capacity to improvise.

It is Angola's second most important manufacturing region, as well as an important centre for agriculture and fisheries. And while less badly hit by the war than other provinces, it suffered considerably from the collapse of the Benguela railway which used to run across the country from Lobito, the province's main port, to the border with Zaire.

At independence, Lobito port handled more than 2m tonnes of cargo a year. Today, the only activity is provided by occasional imports of food and consumer goods. Its warehouses are empty or shelter neatly lined-up fork-lift trucks, and its reduced workforce is idle.

Outside the two cities, factories are running at a fraction of capacity and others are not working. A big cement factory once owned by Secil, a Portuguese company that was nationalised when Portugal's own revolution took a turn to the left in 1975, is derelict.

Farming has suffered from the war and prolonged drought and although conditions have improved recently, agricultural production of basic foods is expected to cover only 51 per cent of the province's needs this year, according to official statistics.



Provincial Governor Paulo Jorge: Benguela can prosper again

There is much anxiety about the outcome of next September's election but for the time being, it is business as usual. This means self-reliance, improvisation and a lot of patience to cope with inadequate equipment and supplies, scant finance, bureaucracy, erratic telecommunications – lines with Luanda can suddenly go down – and poor but improving transport.

Ten months of peace have brought a modest but welcome renewal of activity and increased orders.

Mr Manuel Carmo, technical director at Robbialac, a paint manufacturer and subsidiary of Jenson & Nicholson, says business is picking up with two recent orders for 650 tonnes of paint.

The factory, located on the outskirts of Lobito, was established in 1972. It employs 63 workers and produces about 500 tonnes of paint a year although it is equipped to produce 7,000 tonnes. Mr Carmo says the biggest problem is lack of materials. "Sometimes we might just miss one crucial product and we can't produce." Production was at a standstill in October and November.

All materials are imported from Europe and paid for in dollars. Imports have to be officially approved and lack of foreign currency causes delays.

"We're told foreign exchange is available and all we need to do is go to the bank to get approval for our imports, but when we go there, the bank doesn't have any money."

The company was recently allowed to remit profits covering the 1975-88 period and it is looking to expand its activities in Angola.

Mr Alberto Lima, production director at Empresa de Assistencia Technica Industrial, a state-owned company that produces water pumps and hammer mills which are used to ground seeds, says his company also wants to expand but this will depend on receiving financial aid.

Africa Textil is one of the biggest employers in the region with about 1,500 workers

The plant was established 60 years ago and was nationalised in 1976. It produces about 1,400 pumps a year on mainly Bulgarian-made machinery, much of which is only two years old. Mr Lima says, however, that he would like more up-to-date equipment. "We're going to need more modern machines as we expand."

Lupral, an engineering company that makes tools, pipes and other industrial and agricultural equipment, has one of the largest speciality foundries in Angola, says Mr Carlos Castro, general director. Run under management from the Eternit group in Belgium, it employs 700 workers.

The group also has a factory in Huambo. This was built in 1977 but never used. The company hopes to start production there later this year. Demand for agricultural tools and equipment has risen strongly, Mr Castro says.

Africa Textil is one of the biggest employers in the region with about 1,500 workers. It is a 97.2 per cent state-owned joint venture with Tritex of the UK, which holds the remaining 2.8 per cent.

Purpose-built in the late 1970s to produce high quality cotton cloth, plant installations are in good order. But last year, it was operating at a fraction of capacity because of supply and foreign exchange problems.

Angolan cotton production collapsed after 1975 and what is produced domestically is not of good enough quality, says Mr Manuel Lopes Henriques, the manager. All cotton has to be imported from Tanzania. Chemicals come from Europe.

The company has a five-year investment plan under which it has already bought new machinery. "We need to modernise. Some of our machines are of a past generation," says Mr Lopes Henriques. More foreign investment and know-how would be welcome but, he says, the government must protect local industries from foreign competition.

Foreign investment could play an important part in the province's revival but most investors are waiting for the elections – and the uncertainty is encouraging trade and speculation rather than investment.

Benguela faces very much the same problems as other provinces although its economy was particularly hard hit by the closure of the railway. A resumption of domestic, if not international traffic, would be a boost, and there is international interest in helping to rehabilitate the line.

Mr Paulo Jorge, the provincial governor, is confident Benguela can prosper again. "We can be a kind of rearguard for other provinces. Benguela has the port and it has the railway, and they will play a big role in transporting goods to and from Huambo, Bie and Moxico provinces."

Patrick Blum

☐ THE DIAMOND INDUSTRY

Shaky, erratic recovery

THESE are critical and exciting times for Angola's diamond industry as it rides a switchback which has seen production peak at 2.3m carats in 1974 and slump to 714,000 in 1985.

A somewhat shaky and erratic recovery will be sustained, say officials from Endiama, the state-owned company, and the government's department of geology and mining.Mr Jose Dias, the Secretary of State for Geology and Mining, anticipates that production will rise to nearly 1.4m next year.

ANGOLAN DIAMONDS PRODUCTION

Year	Number of carats	Value (US$)
1980	1,485,490.00	233,922
1981	1,400,481.00	167,418
1982	1,225,445.00	103,409
1983	1,033,812.00	93,968
1984	906,048.00	57,966
1985	717,768.00	31,913
1986	266,183.70	16,571
1987	871,390.72	106,973
1988	1,044,550.00	185,934
1989	1,316,738.00	234,365
1990	1,132,851.00	232,097
1991	960,558.00	178,229

Source: Endiama

They believe that foreign investors will be attracted in numbers not seen since independence in 1975 as a result of attractive fiscal terms and a new mining law introduced earlier this year, which allows private companies a greater role in the sector.

The sector's growth in the medium to long term lies in the development of the country's rich kimberlite potential. Most of Angola's diamonds are mined from alluvial operations in Lunda Norte, chiefly the Cuango division.

The region is also known to contain kimberlites, some of which could be economically viable if mined by modern bulk methods.

At a cost of some $1bn, several kimberlite pipes already identified might yield production of an estimated 3m-4m carats a year.

The turnaround however, began in 1986, when the state operator, Diamang, which had a monopoly on official production, was dissolved and Endiama established to reorganise the sector.

Endiama, still the sole concessionaire, sought to encourage foreign investors back into the sector.

Following the peace agreement last year, its policy is beginning to bear fruit.

After a six-year break, Endiama early last year returned Angola's diamonds to the international fold.

It agreed with De Beers Centenary, the Swiss-based mining and marketing organisation, to sell all its Cuango production through the Central Selling Organisation (CSO), the umbrella term used to describe a group of companies which purchases, values and sells nearly 80 per cent of the world's rough diamond production.

The agreement with De Beers also included a $50m loan to further develop the production from the Cuango region.

The loan has now been fully drawn down to finance a seven-year contract with Odebrecht, a Brazilian company, to explore diamond reserves in the Cuango.

The project, brainchild of Mr *Noe Baltazer, Endiama's managing director*, is the most ambitious embarked on by the company. It includes the construction of a hi-tech, self-sufficient operational headquarters at the remote site of Luzamba in the Cuango region.

"The Luzamba project is now the centre of gravity of our operation. Most importantly, it involves setting up a huge exploration programme in this area," says Mr Baltazer.

RST International, a subsidiary of Zambia Consolidated Copper Mines, originally signed an agreement with Endiama to mine diamonds around Kafunfo at the end of 1986 (a year which had seen organised operations almost grind to a halt in the Lunda Norte) and remains in operation, its contract renewed annually.

The alluvial operations in Lunda Norte remain particularly threatened by illicit digging and selling. Industry officials estimate that illegal sales of high quality gems could be costing the country $5m a week. Diamond exports earned Angola $190m last year, down from $242m in 1990.

Angola, the seventh largest diamond producer in the world in volume is capable of "making it into the first league", according to an industry official. However, according to western experts, the explosion in illegal sales poses a threat to the industry and to Endiama. De Beers, for its part, has had to buy back stones at market rates in an attempt to stabilise supply.

A rise in illegal mining, particularly in the Cuango region which produces 80 per cent of *Angola's diamonds and some* of its highest quality gems, partly explains the rise in illicit sales. Cuango sites have been flooded by thousands of diggers since the peace accord last May which allowed freedom of movement for the first time in 16 years.

Most of the diamonds repurchased on the Antwerp market have been identified as Cuango diamonds.

Illicit trading was further fuelled, western analysists believe, by a law introduced at the end of last year, now under review, which gave individuals the right to own and sell diamonds.

However, these factors do not fully explain the increase. "We could be looking at 13,000 carats a week. That would involve alot of digging," says one industry official.

In the murky world of illicit diamond dealing, rumours abound while proof remains elusive. Popular theories include Unita releasing its stockpiles following the peace agreement, to Endiama complicity.

Mr Baltazer remains confident that areas currently being worked by illegal diggers can be reoccupied for development.

He argues that with the investment being made in Luzamba and at Lukapa, Endiama is "setting up the bases from which to jump and gain control of the areas."

Partly to stem the haemorrhage, and partly to exploit the new political environment, great urgency is being attached to attracting foreign investors and restructuring the industry.

These problems will be resolved, officials belive, by a restructuring of the industry.

Legislation introduced at the beginning of this year paves the way for an end to the state's monopoly of the mining sector.

The law envisages that private companies, both foreign and local, can invest in prospecting and mining.

The law covers prospecting and research, exploration and exploitation, and taxation. Mr Dias says private, mixed or state companies can work alongside each other, with state enterprises no longer taking precedence.

"We arrived at the conclusion that state enterprises were fully concerned with administration - and were bad administrators," he said.

However, the reforms may fall short of investor expectations, for mining rights have not been made transferable and saleable, and the government still decides who is competent to operate.

Investor confidence has nevertheless been boosted by the news that De Beers and Endiama, are due shortly to sign an agreement which both sides say will set precedents for future deals in the mining sector.

The agreement involves De Beers investing $50m on evaluation of known kimberlite deposits and prospecting for new primary deposits in Angola.

The flexible fiscal regime being negotiated as part of the deal is expected to set precedents which will prove attractive to foreign companies, not just mining houses.

Caroline Southey

Guide for business visitors

THE spectacular sight of Luanda bay, overlooked by a majestic Portuguese fort, blue sea lapping against the palm tree-lined marginale, ill-prepares the visitor about to land at a squalid airport, serving a decrepit city, surrounded by wretched shanty towns.

But it need not be nearly as bad as it might at first seem. The heavy hand of an authoritarian government bureaucracy has been lifted. It is now a friendly bureaucracy.

The once-elegant city is trying to pick itself up. Rubbish is being collected, several buildings are being renovated, bars and restaurants are reopening and if you have left anything behind, you can probably find it at the sprawling market known as the Roque Santeiro – but only go with an experienced guide.

If you expect a taxi to be at the airport, you should have read this guide before leaving home.

A handful of battered vehicles still ply the city streets but they're not usually to be found at the airport.

Arrange to be met.

The airport (Aeroporto 4 de Fevereiro) is about 4km from the city centre. There are no public telephones or banking services.

If you are fortunate, you have a booking at the Presidente Meridien or the Tivoli, where you can be almost certain that there will always be water and power. Such is the demand, that even a booking does not always guarantee a room.

Wherever you plan to stay, book well ahead: business is picking up.

One of the first things to do on arrival is to make plans to leave, i.e. confirm your return booking.

Changing your travel plans can be a tedious business: the national airline TAAG has a monopoly on ticket sales (excluding TAP flights). If you wish to fly to Addis Ababa, for example, go first to TAAG who will issue an order for the ticket. This must be presented *at the bank for payment in foreign exchange.*

Then return to TAAG with the voucher and collect your ticket.

Check in at least two hours before departure.

Health precautions: yellow fever, cholera vaccination certificates are required: malaria prophylactics essential; drink only bottled water.

No limit on cash or travellers cheques that may be taken in but if you expect to take back more than $5,000, a bank declaration must be completed for presentation at the airport. It *is forbidden to* export the local currency.

Credit cards: American Express accepted at Presidente and Tivoli Hotels.

Night spots: Espaco 93 for jazz or the discos Paralelo 2000 and Pandemonium.

Excursions: Seek local advice, whether planning a local journey or going further afield – the security situation *can change rapidly. Luanda* itself can be dangerous.

It is no longer necessary to carry a document authorising you to leave the city (Guia de Marcha) but take local advice about your route before travel*ling out of Luanda. One hour's* drive south on the coast road gets you to the Cuanza River bridge (where Cuban foxholes are a melancholy reminder of the war); continue and the road will take you to Porto *Amboim or drive north to* Ambriz.

Internal air travel: TAAG, the local airline, serves domestic routes but can be unreliable.

Doing business

An experienced resident managing director of a foreign company offered this list of do's and don'ts:

DON'T Forget that *skills* are at a premium: it is difficult to find a good secretary, let alone an office manager;

- *Be discouraged* by initial failures;
- Be put off by your first visit;
- Be put off by the present lack of raw materials and machines – this should ease as access to South African sources increases;
- *Do business without a local* partner.

DO Hire a local Mr Fix It to help you through the bureaucracy;

- Be patient, flexible, and retain your sense of humour.

The combination of obtaining a visa, getting from the airport to the city, securing accommodation, hiring a car and finding an interpreter can be the hardest part of the visit.

All or part of these needs can be handled by the services department of the British company, Hull Blyth, which has operated in Angola for more than 150 years and has offices in Luanda, Lobito, Cabinda and elsewhere. (London: 71 696 9688 – *Nicola Elkins*; Luanda: 336591/3; Fax 336647 – Fred Bagorro)

Government working hours: Mon-Fri 0730-1230; 1430-1830.

Names and numbers

International dialling code: 244-2

EMBASSIES:
UK: Rua Diogo Cao; 334582 Commercial section 392998; Fax 333331; Tx 3130
Portugal: 333027
Portuguese External Trade Institute: 331485
France: 391744/391741
Germany: 334516
Italy: 393533
European Commission: 393038
South Africa (representative office): 393153
US (representative office)
United Nations Development Programme: 331181

AIRLINES:
TAAG - Linhas Aereas de Angola: 330964/332990
TAP: 331687/331692
UTA: 335416/7
SAA: 393153
Ethiopian: 371242/371404
Varig: 393732
Sabena: 372969/70

MINISTRIES:
Agriculture: 323241/323324/345837
Finance: 332122; Fax 390579; Telex 3363
Energy & Petroleum: 337440/370626
Foreign Relations: 323250/321249
Agriculture: 322694/323224
Construction: 335176/339590
Defence: 339857
Fisheries: 337996-8
Industry: 333732/338597
Planning: 339529/339052
Transport: 372562

HOTELS:
Presidente Meridien: 330037
Tivoli: 393863/391593; Fax 391128
Turismo: 333293/333296
Tropico: 391498/331755
Panorama: 337841

OTHER NUMBERS:
Central Bank (Banco Nacional de Angola): 332633; Fax:390579; Tx 3028
Chamber of Commerce: Edificio Palacio de Comercio; 344506/322453; Tx 3283
Gabinete do Investimento Estrangeiro *(Foreign Investment Office)*: Rua Cerqueira Lukoki No 25 392620; Tx 3262 Fax 393381
Main Opposition Party: Uniao Nacional para a Indepencia Total de Angola (Unita): 393446

OIL:
Sonangol: 334143/334794
Elf Aquitaine: 390293/390343
Cabinda Gulf Oil Company: 392646/392696
Diamonds: Empresa Nacional de Diamantes de Angola (Endiama): Rua Rainha Ginga: 393336
Car hire available from: Angocar, Intertransit and Rent-a-Car
Courier: DHL: 390376/392082
Restaurants: Barracuda; Catermar; Esta Restaurante VIP

☐ LUANDA'S ALTERNATIVE MARKET

Lifeline for city dwellers

"THIS," declared my guide with a sweep of his hand, "is Angola's real economy."

The Roque Santeiro black market, spread out before us, is bustling with activity.

It sprawls among the barren, sun-drenched *hills, 15 minutes'* drive from central Luanda. For a splendid view of the city, drive along the Avenida Boa Vista, look beyond the run-down factories and shanty dwellings and the city is laid out before you, red-tiled suburbs, tree-lined boulevards, and *the bay itself.*

But few are here for the view. Thousands of people are making their way on foot and bicycle, or piled into battered trucks and cars. They are preparing to buy or sell just about anything.

In downtown Luanda, most of the shopfronts have been empty for years. Faded posters and dusty neon signs offer poignant reminders of a past Luanda. But Roque Santeiro market is thriving.

No-one knows exactly how many people flock to the Angolan capital's largest – and unofficial – market. Certainly, tens of thousands, if not scores of thousands, of people pass through every day of the week, from morning to night-fall, to trade in anything from whisky, fruit, vegetables and medicines to modern hi-fi equipment, tools, refrigerators, and cars.

Roque Santeiro market: almost everything is on sale, but at a price — and not without risks

Almost everything is on sale in *Roque Santeiro*, but at a price – and not without risks to the unwary: beware of muggers and pickpockets.

It is both a source of goods unavailable elsewhere and a lifeline for many of the city's *estimated 2m inhabitants:* a place where local people can supplement subsistence incomes by selling bartered goods, their own small manufactures and market-gardening produce, or even products *bought in official stores or* directly from state factories.

A large quantity of stolen goods also finds its way onto the market. It is usually off-limits to the police, but occasionally – heavily armed – they will look in to search for stolen property.

Roque Santeiro is unique in Angola because of its vast size. There are several similar but smaller markets in other towns. They are tolerated because they are an essential part of an economy that has been devastated by 16 years of civil war.

Goods on sale are not cheap by local standards. A pair of Portuguese shoes can cost Kz55,000, although with some bargaining the price may be brought down to Kz45,000. But this represents a small fortune for most Angolans – the average monthly salary is Kz25,000-Kz30,000.

A refrigerator may sell for between Kz700,000 and Kz1.4m, roughly the same price as in one of the supermarkets in town. But whisky at about Kz10,000 was Kz3,000 cheaper: for a shopper using the parallel exchange rate of Kz1,500 to the US dollar, it was a bargain.

Like a gigantic bee-hive, the market appears chaotic on the surface but a closer look shows that it has evolved with sections for food, clothing, shoes, electrical and other goods.

Small makeshift stalls are erected each day from discarded wood panels, boxes or tin drums, with shelter provided from a piece of cloth *hung over a few sticks. Some* traders dispense with stalls altogether and stand next to piles of boxes of canned beer and soft drinks – almost certainly brought straight to the market from the port where *duty probably went unpaid,* and where the lawful owner of the goods will be making fruitless inquiries.

Hairdressers clip away in the open air and small boys dart in and out the crowd, selling watches, cigarettes or trinkets. A few tough-looking young *men stand around* with wads of banknotes in their hands, waiting to swap currencies.

The authorities seem happy to turn a blind eye to the transactions. Raiding the market would be unpopular and ineffective, simply driving traders underground or to other parts *of the city.*

Roque Santeiro and other markets of its kind operate and survive in a no-man's-land of individual initiative and private enterprise that was never stifled during the years when the state dominated the economy. Now the markets are *more popular than ever.*

Patrick Blum